

Individual income tax rates for 2013					
Taxable income*		Ordinary income	Capital gains and dividends	Medicare tax	
Single	Joint			Earned income**	Investment income
\$0+	\$0+	10%	0%	2.9%	0%
\$8,950+	\$17,900+	15%			
\$36,250+	\$72,500+	25%	15%	3.8%	3.8%
\$87,850+	\$146,400+	28%			
\$183,250+	\$223,050+	33%			
\$200,000+ (AGI)	\$250,000+ (AGI)	35%			
\$398,350+	\$398,350+	39.6%	20%		
\$400,000+	\$450,000+				

*Based on estimated 2013 inflation adjustments. Amounts refer to taxable income except where noted.
**Combined rate includes 1.45% employer contribution.

- **Income tax rates.** Permanently extends the lower tax rates and other tax cuts enacted in 2001 and 2003 for single filers with taxable incomes below \$400,000 and joint filers with taxable incomes below \$450,000. The top income tax rate will permanently increase from 35% to 39.6% (as scheduled under current law) for single filers with taxable incomes above \$400,000 and joint filers with taxable incomes above \$450,000.
- **Limits on exemptions and deductions for higher wage earners.** Permanently reinstates the phase-out of personal exemptions and the limitation on itemized deductions for single filers with adjusted gross income (AGI) above \$250,000 and joint filers with AGI above \$300,000.
- **Payroll tax.** Restores the employee Social Security payroll tax contribution to 6.2% on income up to \$113,700 in 2013. This payroll tax contribution had been temporarily reduced to 4.2%.
- **AMT (alternative minimum tax) patch.** Permanently extends the AMT patch with annual inflation adjustments.
- **Estate and gift tax.** Permanently extends the lifetime estate and gift tax exemption of \$5.12 million (with annual inflation adjustments), but increases the top tax rate from 35% to 40%. Provisions for spousal portability and reunification of the estate and gift tax are also permanently extended.
- **Capital gains and dividends.** Permanently extends the 0% and 15% tax rates for long-term capital gains and qualified dividends for single filers with taxable incomes below \$400,000 and joint filers with taxable incomes below \$450,000. The top rate will permanently increase to 20% for filers with taxable incomes above these thresholds.
- **Medicare tax.** The new 3.8% Medicare tax enacted under the healthcare law is not repealed and takes effect as scheduled in 2013. The new 3.8% tax applies to single filers with modified AGI above \$200,000 and joint filers with modified AGI above \$250,000. As a result, the tax law will include four different rates for long-term capital gains and qualified dividends depending on the investor's modified AGI and taxable income: 0%, 15%, 18.8%, and 23.8%.
- **Annual expiring provisions.** Two-year extension (for tax years 2012 and 2013) of dozens of tax provisions, including the ability to make tax-free rollovers from an IRA to a qualified charity. The charitable rollover provision includes two transition rules. The first would allow individuals who make qualified charitable rollover distributions in January 2013 to count the rollover as if it were made in 2012. The second would allow individuals who took a distribution in December 2012 to contribute that amount to a charity and count it as an eligible charitable rollover.