

Fiscal Cliff Summary

13 Tax Increases in 2013

On January 1, 2013, thirteen tax increases kicked in.

The deal that Congress and President Obama struck that finally—but only partially—avoided the fiscal cliff resulted in seven tax increases.

Those hikes combined with six tax increases from Obamacare that also began on New Year's Day.

13 Tax Increases That Started January 1, 2013

Tax increases in the fiscal cliff deal:

1. **Payroll tax:** increase in the Social Security portion of the payroll tax from 4.2 percent to 6.2 percent for workers. This hits all Americans earning a paycheck—not just the “wealthy.” For example, *The Wall Street Journal* calculated that the “typical U.S. family earning \$50,000 a year” will lose “an annual income boost of \$1,000.”
2. **Top marginal tax rate:** increase from 35 percent to 39.6 percent for taxable incomes over \$450,000 (\$400,000 for single filers).
3. **Phase out of personal exemptions** for adjusted gross income (AGI) over \$300,000 (\$250,000 for single filers).
4. **Phase down of itemized deductions** for AGI over \$300,000 (\$250,000 for single filers).
5. **Tax rates on investment:** increase in the rate on dividends and capital gains from 15 percent to 20 percent for taxable incomes over \$450,000 (\$400,000 for single filers).
6. **Death tax:** increase in the rate (on estates larger than \$5 million) from 35 percent to 40 percent.

7. **Taxes on business investment:** expiration of full expensing—the immediate deduction of capital purchases by businesses.

Obamacare tax increases that took effect:

8. **Another investment tax increase:** 3.8 percent surtax on investment income for taxpayers with taxable income exceeding \$250,000 (\$200,000 for singles).

9. **Another payroll tax hike:** 0.9 percent increase in the Hospital Insurance portion of the payroll tax for incomes over \$250,000 (\$200,000 for single filers).

10. **Medical device tax:** 2.3 percent excise tax paid by medical device manufacturers and importers on all their sales.

11. **Limiting the income tax deduction** for individuals' medical expenses so that only those exceeding 10% are deductible. Prior to 2013 amounts exceeding 7.5% were deductible.

12. **Elimination of the corporate income tax deduction** for expenses related to the Medicare Part D subsidy.

13. **Limitation of the corporate income tax deduction** for compensation that health insurance companies pay to their executives.