

STS FINANCIAL

ACCOUNTING & TAX SERVICES

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President Barack Obama signed a tax bill into law that allows tax cuts for all income levels to continue for another two years and extends unemployment benefits for the next 13 months.

The bill includes a one-year reduction in payroll tax for all employees, changing the Social Security withholding from 6.2 percent to 4.2 percent. The employer's rate of 6.2 percent is unchanged. Self-employed individuals will receive a one-year reduction in payroll self-employment tax from 12.4 percent to 10.4 percent.

Other provisions include two-year extensions of the following tax benefits:

- \$1000 child tax credit
- Tax break for commuters who use mass transit
- Deduction for qualified tuition and education-related expenses
- Itemized deduction for state and local sales tax in lieu of state income tax
- \$250 deduction for teachers' out-of-pocket expenses for school classroom expenses
- Increased standard deduction for married couples
- Current lower tax rates on dividends and capital gains (no tax for taxpayers below the 25 percent tax bracket, 15 percent for all others)
- Limitation on itemized deductions for high-income taxpayers

As always, if you have any questions, please contact us at 310-534-9829.

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