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### **IMPORTANT IRS ADJUSTMENTS FOR 2013**

*IRAs & workplace retirement plans have higher contribution limits.*

Provided by Frank DeMaio\*

The IRS has set annual contribution limits for IRAs, 401(k)s and other retirement plans higher for 2013, and made other important adjustments for inflation as well. Here is an overview of some notable changes just announced.

**The 2013 IRA contribution limit: \$5,500.** This is a \$500 increase from 2012, and it applies to both Roth and traditional IRAs. The IRA catch-up contribution limit for those 50 and older remains \$1,000.<sup>1,3</sup>

**The 2013 contribution limit for 401(k), 403(b), TSP & most 457 plans: \$17,500.** For the second year in a row, we see a \$500 increase. The catch-up contribution limit on these plans for participants 50 and older remains \$5,500.<sup>1,2</sup>

**The phase-out range on Roth IRA contributions has increased.** It starts \$5,000 higher in 2013 than in 2012 for married couples filing jointly (\$178,000-\$188,000) and \$2,000 higher for single filers and heads of household (\$112,000-\$127,000).<sup>3</sup>

**The phase-out range on deductible contributions to traditional IRAs has risen.** In 2013 it increases by \$1,000 for single filers (\$59,000-\$69,000) and \$3,000 for married couples filing jointly (\$95,000-\$115,000), provided the spouse making the contribution is covered by a workplace retirement plan. If not, the deduction is phased out if the couple's income is between \$178,000-\$188,000 - up \$5,000 from 2012.<sup>1,3</sup>

**The annual gift tax exclusion rises to \$14,000 next year.** The IRS has kept this at \$13,000 for several years; no more. In 2013, a taxpayer can gift up to \$14,000 each to as many different people as he or she wishes, tax-free.<sup>4</sup>

**You may be able to deduct a greater portion of LTCI premiums.** For 2013, the deductible portion of eligible long term care insurance premiums that may be included as medical expenses on Schedule A rises. The new limits are \$360 for taxpayers 40 or less, \$680 for taxpayers aged 41-50, \$1,360 for taxpayers aged 51-60, \$3,640 for taxpayers aged 61-70, and \$4,550 for taxpayers age 71 or older.<sup>4,5</sup>

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The kiddie tax exemption increases to \$1,000. It was set at \$950 in 2012.<sup>4</sup>

The foreign earned income exclusion rises to \$97,600. That is a \$2,600 increase over 2012.<sup>4</sup>

In addition to these 2013 IRS adjustments, Social Security recipients will see a 1.7% rise in their benefits next year.<sup>2</sup>

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#### **Citations.**

1 - [benefitslink.com/src/irs/IR-2012-77.pdf](http://benefitslink.com/src/irs/IR-2012-77.pdf) [10/18/12]

2 - [money.cnn.com/2012/10/18/pf/taxes/401k-contribution-limit/4021136.html](http://money.cnn.com/2012/10/18/pf/taxes/401k-contribution-limit/4021136.html) [10/18/12]

3 - [www.bankrate.com/financing/taxes/saving-more-for-retirement-in-2013/](http://www.bankrate.com/financing/taxes/saving-more-for-retirement-in-2013/) [10/18/12]

4 - [blogs.wsj.com/totalreturn/2012/10/18/irs-announces-2013-inflation-adjustments/](http://blogs.wsj.com/totalreturn/2012/10/18/irs-announces-2013-inflation-adjustments/) [10/18/12]

5 - [blog.oregonlive.com/taxes/2012/01/are\\_long-term\\_care\\_premiums\\_de.html](http://blog.oregonlive.com/taxes/2012/01/are_long-term_care_premiums_de.html) [1/17/12]