

The Tax Planning Countdown to 2013 Starts Now!

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As we begin 2012, all **real estate investors** need to pay very close attention to the ever changing tax landscape. Particular attention needs to be paid to the **significant tax increases slated to occur in 2013**. Investors considering whether or not to sell and pay their taxes, or sell and 1031 Exchange, must consider the year-over-year tax implications. Real estate investors will have a much greater tax burden in 2013 than in 2012.

Tax Rate Changes for 2012 and 2013

2013	2012	2013
Ordinary income	35%	39.6%
Qualified Dividends	15%	39.6%
Capital Gains Tax	15%	20 %
State of Oregon	9.9%	9.9 %

Courtesy of Delap CPA, Lake Oswego, Oregon

Medicare Tax

Beginning January 1, 2013 a **new Medicare tax of 3.8%** will be applied to **investment income** of those investors with a modified adjusted gross income of over \$200,000 (\$250,000 for couples filing jointly). The tax applies to the lesser of the (1) total investment income for the year, and (2) the amount by which the individual's total income exceeds the threshold. For example a single individual taxpayer who has \$150,000 of investment income and \$125,000 of other income will pay the new Medicare tax on \$75,000 (the amount by which the individuals' income exceeds the \$200,000 threshold. Because the threshold amounts for the new Medicare tax are not indexed for inflation, more taxpayers will be subject to the new Medicare Tax over time.

(courtesy of Jenee" Hilliard ,Attorney at Law , Miller Nash)

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Estate Taxes

Gift	2012	2013
Lifetime Gift exemption	\$5 Million	\$1 Million
Top Federal Estate Tax Rate	35%	55%
Annual Gift exclusion	\$13,000	\$13,000

Courtesy Delap CPA, Lake Oswego, Oregon

Call to Action

The bottom line is that 2012 should be a watershed year for investors, given current low interest rates and lower tax rates. Real estate investors should be motivated to consummate deals in 2012 rather than wait until 2013. Call your Sperry Van Ness real estate advisor today to plan your 2012 real estate decisions.

More details for those investors that have employees on-site at their properties:

1. Minimum Wages have increased in Oregon and Washington:

As of 1 January 2012 the Minimum wage has increased to:

~ Oregon to \$8.80 an Hour

~ Washington \$9.04 an Hour

Note continued uncertainty regarding social security taxes: Even though the President and Congress have extended the social security tax reductions for 2 more months there is no guarantee that they will be continued through next year 2012. Under the compromise late in 2010 that extended the tax cuts by President George W. Bush, employees in 2011 are paying Social Security at a reduced rate of 4.2 percent. President Obama would like to lower the 2012 Social Security tax rate for both employers and employees to 3.1 percent. But if Congress does not take action in two months, the Social Security tax rate in 2012 reverts to the usual 6.2 percent for both employers and employees.

(<http://erinarvedlund.wordpress.com/2011/12/08/taxes-are-going-up-no-matter-what-party-you-support/>)



Clifford A. Hockley is President of Bluestone & Hockley Real Estate Services, greater Portland's full service real estate brokerage and property management company. **Founded in 1972**, Bluestone & Hockley's staff totals nearly 110 employees, including 20 licensed brokers. The company's property management division serves commercial buildings, apartments, condominium associations and houses in the Portland / Vancouver metro area, while the brokerage division facilitates both leasing and sales of investment properties throughout Oregon and Washington.



Cliff earned a degree in Political Science from Claremont McKenna College and holds an MBA from Willamette University. He is a Certified Property Manager and has achieved his Certified Commercial Investment Member designation (CCIM). Bluestone & Hockley Real Estate Services is an Accredited Management Organization (AMO) by the Institute of Real Estate Management (IREM). Cliff is a member of the Institute of Real Estate Management and was named Certified Property Manager of the year in 2001 and 2003. Cliff is a frequent contributor to industry newsletters.

Bluestone & Hockley offers **customized brokerage, property and asset management, as well as maintenance services** to property owners and investors throughout the Portland/Vancouver metro area. The company's full-service approach benefits busy property owners and investors, who know they can count on Bluestone & Hockley for high quality real estate services start to finish.