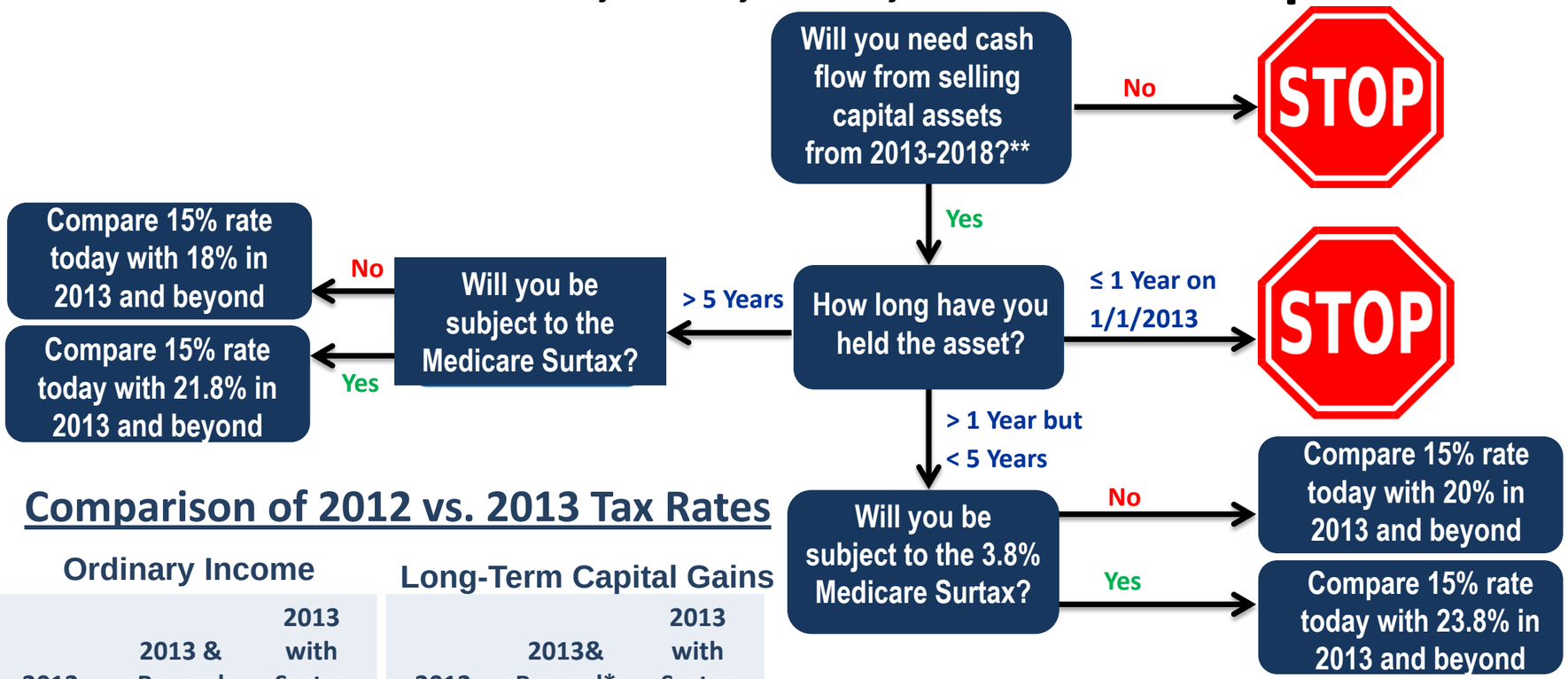
Robert S. Keebler, CPA, MST, AEP: 2012 Capital Gains Harvesting Chart



Summary of Concept

Long –term capital gains rates are scheduled to increase substantially from 2012 to 2013. Thus, many taxpayers will benefit from harvesting gains in 2012. This strategy involves selling assets in 2012 to take advantage of the low 2012 tax rates and then repurchasing similar assets.

Use this chart as a starting point for analyzing whether the strategy would be beneficial for you or your clients.

Comparison of 2012 vs. 2013 Tax Rates

Ordinary Income

2012	2013 & Beyond	2013 with Surtax
10%	15%	15%
15%	15%	15%
25%	28%	28%
28%	31%	34.8%
33%	36%	39.8%
35%	39.6%	43.4%

Long-Term Capital Gains

2012	2013& Beyond*	2013 with Surtax
0%	10% / 8%	10%/ 8%
15%	20% / 18%	23.8%/ 21.8%

**NOTE*: In general, the 8% and 18% capital gains rates only apply to long-term capital gains on property that has been held more than five years at the time of sale. For the 18% rate, the property must be purchased after December 31, 2000.

**Assumes Capital Gain property – no recapture

2012 Income Tax Brackets

Ordinary Income Tax Rate	Capital Gain Tax Rate	Single	Qualified Widow(er)	Married Filing Jointly	Married Filing Separately	Head of Household
10%	0%	$8,700	$17,400	$17,400	$8,700	$12,400
15%	0%	$35,350	$70,700	$70,700	$35,350	$47,350
25%	15%	$85,650	$142,700	$142,700	$71,350	$122,300
28%	15%	$178,650	$217,450	$217,450	$108,725	$198,050
33%	15%	$388,350	$388,350	$388,350	$194,175	$388,350
35%	15%	> $388,350	> $388,350	> $388,350	> $194,175	> $388,350

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Keebler & Associates Gain Harvesting Calculator will be available in June 2012. For more information contact Emily Rosenberg Emily.Rosenberg@keeblerandassociates.com or 920-593-1705

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Gain Harvesting Scenarios:

John purchased a stock in XYZ Corp. in February 2012, but will need to sell to use the cash in late 2013.

- From a tax perspective, John should not sell. Since the stock was purchased recently (<1yr), selling now would generate a short-term capital gain, taxed as ordinary income.

Steve and Katie have combined taxable income of $50,700. They will have a need to sell assets for cash in 2013.

- Steve and Katie should take gains at least up to the top of the 15% bracket ($70,700 for married couples) and pay 0% tax on the gains.

Jim and Mary are retired, but are not yet collecting Social Security. The taxable portion of their Social Security income will bump them into the 25% tax bracket.

- Jim and Mary should sell assets to "fill up" the 15% marginal tax bracket and get a "free" step-up in basis.

Patrick does not plan to retire for another seven years. He has no cash needs beyond what his current salary provides. He is in the 25% tax bracket, so he would pay 15% capital gains tax in 2012.

- Patrick should not sell any assets in his investment account as the ROI on the 2012 Gain Harvesting strategy will have diminished by the time he needs cash in retirement.

Chris has a high income (>$200,000), but will need to sell stock with a low basis in 2014.

- Chris should sell the low basis stock in 2012 and take advantage of the 15% rate. In 2014, that rate will increase, and Chris will also be subject to the 3.8% Medicare tax. So Chris would pay a total of 23.8% on the gain in 2014. He may also lose a portion of his itemized deductions in 2014, increasing the effective tax rate to approximately 25%

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Gain Harvesting Return on Investment (after tax)

		2012	2013	2013	2014	2015	2016	2017	2018	2019
Growth Rate	4.0%	0.0%	8.0%	196.48%	71.12%	42.44%	29.94%	22.95%	18.48%	15.38%
State Tax*	4.0%	0.0%	10.0%	246.56%	85.20%	50.26%	35.33%	27.08%	21.84%	18.23%
		0.0%	11.8%	291.63%	97.01%	56.66%	39.68%	30.38%	24.51%	20.48%
		0.0%	13.8%	341.71%	109.35%	63.21%	44.09%	33.70%	27.18%	22.71%
		15.0%	18.0%	12.67%	4.61%	1.98%	0.63%	-0.22%	-0.83%	-1.32%
		15.0%	20.0%	23.28%	9.60%	5.32%	3.20%	1.90%	1.00%	0.33%
		15.0%	21.8%	32.82%	13.90%	8.16%	5.35%	3.66%	2.52%	1.68%
		15.0%	23.8%	43.43%	18.50%	11.15%	7.60%	5.50%	4.09%	3.06%

		2012	2013	2013	2014	2015	2016	2017	2018	2019
Growth Rate	6.0%	0.0%	8.0%	194.72%	70.04%	41.48%	29.00%	22.00%	17.50%	14.35%
State Tax*	4.0%	0.0%	10.0%	244.84%	84.22%	49.42%	34.52%	26.26%	21.01%	17.36%
		0.0%	11.8%	289.95%	96.11%	55.90%	38.96%	29.66%	23.79%	19.72%
		0.0%	13.8%	340.07%	108.53%	62.52%	43.45%	33.07%	26.54%	22.06%
		15.0%	18.0%	11.11%	3.03%	0.30%	-1.19%	-2.21%	-3.03%	-3.75%
		15.0%	20.0%	21.76%	8.13%	3.79%	1.56%	0.12%	-0.94%	-1.80%
		15.0%	21.8%	31.34%	12.52%	6.74%	3.85%	2.05%	0.77%	-0.23%
		15.0%	23.8%	41.98%	17.21%	9.84%	6.23%	4.04%	2.52%	1.36%

		2012	2013	2013	2014	2015	2016	2017	2018	2019
Growth Rate	8.0%	0.0%	8.0%	192.96%	68.93%	40.47%	27.98%	20.94%	16.37%	13.13%
State Tax*	4.0%	0.0%	10.0%	243.12%	83.22%	48.53%	33.64%	25.36%	20.06%	16.35%
		0.0%	11.8%	288.26%	95.19%	55.10%	38.19%	28.87%	22.96%	18.85%
		0.0%	13.8%	338.42%	107.68%	61.81%	42.76%	32.37%	25.82%	21.30%
		15.0%	18.0%	9.55%	1.40%	-1.51%	-3.24%	-4.56%	-5.77%	-7.01%
		15.0%	20.0%	20.24%	6.62%	2.15%	-0.27%	-1.94%	-3.31%	-4.57%
		15.0%	21.8%	29.85%	11.10%	5.23%	2.19%	0.19%	-1.34%	-2.66%
		15.0%	23.8%	40.54%	15.89%	8.45%	4.73%	2.37%	0.65%	-0.76%

*Assumes State tax rate of 6% and effective rate of 4% after itemized deductions

Keebler & Associates Gain Harvesting Calculator will be available in June 2012. For more information contact Emily Rosenberg Emily.Rosenberg@keeblerandassociates.com or 920-593-1705