

## ¶ 105. What's New on the 2013 Form 1040?

Here are the changes with the greatest impact on the preparation of 2013 individual returns, cross-referenced to where they are discussed in the Handbook, and referenced to the appropriate lines on the Form 1040 and related Schedules.

 **RIA observation:** The instructions to the Form 1040 for 2013 carry a section titled “What's New.” This section includes most, but not all, of the many tax return changes highlighted below.

### FORM 1040—U.S. INDIVIDUAL INCOME TAX RETURN—FILING STATUS

*Same sex couples.* Same sex spouses who legally married on or before Dec. 31, 2013 in a state that recognizes same-sex marriage must file as married filed jointly or married filing separately even if they now live in a state that does not recognize same-sex marriage. For this purpose, “state” means any domestic or foreign jurisdiction having the legal authority to sanction marriages. Individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that is not considered a marriage under state law are not considered married for federal tax purposes.

### FORM 1040—U.S. INDIVIDUAL INCOME TAX RETURN—GROSS INCOME

*Adoption exclusion.* For 2013, the maximum exclusion for employer-provided adoption assistance is \$12,970 per eligible child. ([¶ 1254](#))

### ADJUSTED GROSS INCOME

*Line 26. Moving expenses.* The 2013 standard mileage rate for moving expenses is 24¢ per mile. ([¶ 1648](#))

*Line 32. IRA deduction.* In general, an individual who isn't an active participant in certain employer-sponsored retirement plans, and whose spouse isn't an active participant, may make an annual deductible cash contribution to an IRA up to the lesser of: (1) a statutory dollar limit, or (2) 100% of the compensation that's includible in his gross income for that year. For 2013, the statutory dollar limit is \$5,500 (increased from \$5,000, for 2012), plus an additional \$1,000 for those age 50 or older. If the individual (or his spouse) is an active plan participant, the deduction phases out over a specified dollar range of modified AGI (MAGI). For 2013, a taxpayer may be able to take an IRA deduction if he was covered by a retirement plan and his 2013 MAGI is less than \$69,000 (\$115,000 if married filing jointly or qualifying widow(er)). If the taxpayer's spouse was covered by a retirement plan, but the taxpayer was not, he may be able to take an IRA deduction if his 2013 MAGI is less than \$188,000. ([¶ 4352](#))

### TAX AND CREDITS

*Line 40. Itemized deductions or standard deduction.* For 2013, the standard deduction is \$6,100 for single filers and for married persons filing separately, \$12,200 for joint filers and qualifying widow(er)s, and \$8,950 for heads of household. ([¶ 3112](#))

*Line 42. Exemptions.* The amount for each exemption for 2013 is \$3,900. ([¶ 3115](#))

*Line 45. Alternative minimum tax.* Under Code Sec. 55(d), the AMT exemption amount for 2013 is \$51,900 (\$80,800 if married filing jointly or a qualifying widow(er); \$40,400 if married filing separately). ([¶ 3203](#))

*Line 53. Other credits.* For 2013, the maximum adoption credit is \$12,970 per eligible child for both non-special needs adoptions and special needs adoptions. ([¶ 2354](#))

## **OTHER TAXES**

*Line 56. Self-employment tax.* Maximum amount of self-employment income subject to FICA tax is \$113,700; no ceiling on Medicare wage base.

The self-employment tax rate is 15.3%. ([¶ 1109](#))

An individual may use the farm optional method only if (a) his gross farm income was not more than \$6,980 or (b) his net farm profits were less than \$5,024. Using this method, farm self-employment earnings equals the smaller of (1) two-thirds of gross farm income, or (2) \$4,640. ([¶ 3149](#))

An individual may use the nonfarm optional method only if (a) his net nonfarm profits were less than \$5,024 and also less than 72.189% of his gross nonfarm income and (b) he had net earnings from self-employment of at least \$400 in 2 of the prior 3 years. Individuals may compute their self-employment earnings as the smaller of two-thirds of gross nonfarm income or \$4,640. ([¶ 3149](#))

A self-employed individual with both farm and nonfarm incomes is allowed to use both optional computation methods if the farm income qualifies for the farm optional method and the nonfarm income qualifies for the nonfarm optional method. If both optional methods are used to compute net earnings from self-employment, the maximum combined total net earnings from self-employment for any tax year can't be more than \$4,640. ([¶ 3149](#))

*Line 60. Additional Medicare tax.* For tax years beginning after 2012, a 0.9% additional Medicare tax applies to a taxpayer's Medicare wages, Railroad Retirement Tax Act (RRTA) compensation, and self-employment income above a threshold amount (\$250,000 for joint returns, \$125,000 for married persons filing separately, and \$200,000 for all others). Use Form 8959, Additional Medicare Tax, to figure this tax.

*Line 60. 3.8% surtax on unearned income.* For tax years beginning after Dec. 31, 2012, individuals are subject to a surtax of 3.8% of the lesser of: (1) net investment income, or (2) the excess of modified adjusted gross income (MAGI) over an unindexed threshold amount (\$250,000 for joint filers or surviving spouses, \$125,000 for a married individual filing a separate return, and \$200,000 in any other case). Net investment income may include rental and royalty income, income from partnerships, S corporations and trusts, and income from other passive activities reported on a taxpayer's Schedule E. Use Form 8960, Net Investment Income Tax—Individuals, Estates, and Trusts, to figure this tax.

## PAYMENTS

*Line 64. Earned income credit (EIC).* The maximum credit is higher, and the AGI-based phaseout figures are revised. ([¶ 2339](#))

*Line 69. Excess social security and RRTA tax withheld.* Maximum Social Security (OASDI) tax for 2013 is \$7,049.40 (computed on the first \$113,700 of wages) for purposes of credit for excess tax withheld. ([¶ 1108](#))

## FORM 1040—SCHEDULE A, ITEMIZED DEDUCTIONS

*Line 1. Medical and dental expenses.* The 2013 standard mileage rate for medically-related use of an auto is 24¢ per mile. ([¶ 2148](#))

*Line 3. Medical and dental expenses.* Beginning Jan. 1, 2013, a taxpayer can deduct only the part of his or her medical and dental expenses that exceeds 10% of the taxpayer's AGI (7.5% if either the taxpayer or the taxpayer's spouse is age 65 or older).

*Line 20. Casualty and theft losses.* There is a new Section C on Form 4684, Casualties and Thefts, for Ponzi-type investment schemes. A taxpayer must complete Section C if the taxpayer is claiming a theft loss deduction due to a Ponzi-type investment scheme and is using Revenue Procedure 2009-20, as modified by Revenue Procedure 2011-58.

*Line 21. Unreimbursed employee expenses.* The 2013 standard mileage rate for business travel is 56.5¢ per mile. ([¶ 1560](#))

*Line 29. Limit on itemized deductions.* Beginning Jan. 1, 2013, itemized deductions for taxpayers with adjusted gross incomes in excess of the “applicable amount” (\$300,000 for joint filers or a surviving spouse, \$275,000 for a head of household, \$250,000 for a single individual who isn't a surviving spouse, and \$150,000 for marrieds filing separately) may be reduced. ([¶ 3114](#))

## FORM 1040—SCHEDULE B, INTEREST AND ORDINARY DIVIDENDS

*Line 1. Interest.* Accrued interest on Series EE U.S. savings bonds issued in '83 is taxable. ([¶ 1334](#))

*Line 3. Excludable interest on Series EE or Series I U.S. savings bonds.* The exclusion for education related savings bond interest phases out at higher income levels. For 2013, the phaseout begins at modified AGI above \$74,700 (\$112,050 on a joint return). ([¶ 2220](#))

## FORM 1040—SCHEDULE C, PROFIT OR LOSS FROM BUSINESS

*No separate payment card reporting requirements.* Gross receipts received via payment card (credit and debit cards) and third-party network payments are not separately reported on Schedule C.

*Part II. Expenses. Line 9. Car and truck expenses.* The 2013 standard mileage rate for business travel is 56.5¢ per mile. ([¶ 1560](#))

*Part II. Expenses. Line 13. Depreciation and section 179 expense.* See entries for Form 4562, see below.

## **FORM 4562, DEPRECIATION AND AMORTIZATION**

*Part I. Election to expense certain tangible property under Sec. 179.* For tax years beginning in 2013, the maximum section 179 expense deduction is \$500,000 (\$535,000 for enterprise zone property). This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds \$2 million. ([¶ 1941](#))

*Part II. Special depreciation allowance.* For qualified property acquired and placed in service after 2011 and before 2014 (before 2015 for aircraft and certain long-production period property), a 50% bonus first-year depreciation allowance applies under Code Sec. 168(k). ([¶ 1933](#))

*Part V. Listed property.* First-year luxury auto limits for vehicles first placed in service in 2013 are \$11,160 for autos and \$11,360 for light trucks or vans (if bonus depreciation rules apply) and \$3,160 and \$3,360, respectively (if bonus depreciation rules don't apply). ([¶ 1953](#))

## **FORM 1040—SCHEDULE D, CAPITAL GAINS AND LOSSES**

*Full small business stock exclusion.* The exclusion of 100% of gain on certain small business stock under Code Sec. 1202(a)(4) applies for qualified stock acquired after Sep. 27, 2010 and before Jan. 1, 2014. ([¶ 2648](#))

## **Form 1040—SCHEDULE E, SUPPLEMENTAL INCOME AND LOSS**

*3.8% surtax on unearned income.* For tax years beginning after Dec. 31, 2012, individuals are subject to a surtax of 3.8% of the lesser of: (1) net investment income, or (2) the excess of modified adjusted gross income (MAGI) over an unindexed threshold amount (\$250,000 for joint filers or surviving spouses, \$125,000 for a married individual filing a separate return, and \$200,000 in any other case). Net investment income may include rental and royalty income, income from partnerships, S corporations and trusts, and income from other passive activities reported on a taxpayer's Schedule E. Use Form 8960, Net Investment Income Tax—Individuals, Estates, and Trusts, to figure this tax.

*Standard mileage rate.* The standard mileage rate for miles driven in connection with the taxpayer's rental activities is 56.5¢ per mile. ([¶ 1560](#))

## **FORM 1040—SCHEDULE F, PROFIT OR LOSS FROM FARMING**

*Part II. Farm Expenses—Cash and Accrual Method. Line 10. Car and truck expenses.* The 2013 standard mileage rate for business travel is 56.5¢ per mile. ([¶ 1560](#))