



EXPERT UPDATE



The 2013 Cost-of-Living Adjustments for Transportation Benefits, Adoption Assistance, and Others. . .



Miscellaneous 2013 Cost-of-Living Adjustments

The Internal Revenue Service released a number of cost-of-living adjustments for a variety of dollar limits and thresholds for benefit plans in 2013.

- **Transportation Fringe Benefits** – Beginning on January 1, 2013, the monthly limit for the aggregate fringe benefit exclusion for transportation, commuter, and transit pass expense is expected to remain at \$125. The fringe benefit exclusion amount for qualified parking may slightly increase to \$245. Two years ago from 2011 to 2012, these amounts increased \$10 respectively. The final figures are expected to be released in conjunction with Congress' final session of 2012. As what has been heard elsewhere, Congress will address many of the tax code's provisions before the start of 2013.
- **Adoption Assistance Exclusion and Adoption Credit** – In 2012, the adoption tax credit had a maximum credit of \$12,650. However, this current adoption tax credit is set to expire on December 31, 2012. Therefore, as of January 1, 2013, the adoption tax credit for general adoption procedures will be dissolved, and tax credits for special case adoptions will be greatly reduced and restricted. Unless legislative developments occur, the adoption tax credit in 2013 will only be a \$6,000 nonrefundable credit for authorized expenses for

special needs adoptions only. This will help very few adoptive families and vulnerable children.

- Dependent Care Assistance Plans (DCAP) – The \$5,000/\$2,500 DCAP limit has not changed for the second consecutive year. [However, many other 2013 tax limits may impact any potential federal income tax savings under a DCAP—these include the general 2013 tax rate tables, the personal exemption amount, and the standard deduction amounts. Also relevant when calculating a participant’s federal income tax savings from claiming the dependent care tax credit (DCTC), versus participating in a DCAP, are the 2013 limits for the child tax credit and the earned income credit.]
- Social Security Wage Base – In a related release, the Social Security Administration announced that it will increase the Social Security Wage Base from \$110,100 in 2012 to \$113,700 in 2013.

All of these increased limits are scheduled to commence on January 1, 2013.

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