



Tax Changes Are Coming: What's Your Game Plan for Dealing with Them?

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Tax Provisions Expiring in 2010



Unless Congress takes action to the contrary, the following federal income tax changes will take place in 2010:

- The option to deduct sales tax instead of state and local income tax will no longer be available to individual taxpayers.
- The deduction for up to \$4,000 in college tuition and related expenses will no longer be available to individual taxpayers.
- Taxpayers who are over 70½ will no longer be allowed to complete IRA rollovers to charity (up to \$100,000) without including the amount withdrawn as income.
- The alternative minimum tax exemption reverts to lower levels.
- Sales tax paid on the purchase of new vehicles will not be deductible.

Tax Provisions Expiring in 2011



Unless Congress takes action to the contrary, the following federal income tax changes will take place in 2011:

- The top individual income tax rate will increase to 39.6% and the 10% bracket will be eliminated.
- Dividends from domestic corporations will be taxed again as ordinary income; not at capital gains rates.
- The long term capital gains rate will increase from 15% to 20% for taxpayers in an income tax bracket higher than 15%. The rate will increase from 0% to 10% for taxpayers in the 15% bracket.
- The child tax credit is decreased from \$1,000 per child to \$500 per child.

Current Budget Proposals



President Obama has proposed a number of income tax changes:

- \$400 per taxpayer (\$800 for couples) payroll tax credit was enacted as part of the stimulus package recently passed by Congress. The credit phases out for individuals with income from \$75,000 to \$95,000 and couples with an income of \$150,000 to \$190,000.
- Beginning in 2011, it is proposed to allow the Bush-era tax cuts to expire for everyone with income of more than \$200,000 (\$250,000 for couples). In addition, families earning more than \$250,000 would claim deductions at a 28% rate rather than their actual marginal tax rate.
- Beginning in 2011, a number of business taxes would be increased by reinstatement of the tax on manufacturers for superfund expenditures and repeal of the option to use LIFO for inventory reporting; and establishing a number of taxes and deduction limitations focused on the oil and gas industry.
- Beginning in 2012, it is proposed to establish a "cap and trade" system which would require manufacturers and energy companies to purchase permits for carbon and other similar emissions.



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