

INCOME TAX RATES AND PLANNING

For the last ten years or so, individual taxpayers have enjoyed some of the lowest tax rates ever. This is set to change at the end of 2010. Like many of the various credits and deductions that have been available in recent years, tax rates that exist today are only temporary unless extended by congress. The biggest change coming is in the area of capital gains. For regular capital gains(which excludes collectibles and gains on depreciable real estate for example) There is a maximum rate of 15%. This rate applies to taxpayers who are in at least a 25% bracket. For taxpayers in the 15% bracket the rate is 0%. The 25% bracket begins at taxable income of \$65,100(2008) for married taxpayers and \$32,550(2008) of taxable income for single taxpayers. In addition, most dividends received by taxpayers are treated as capital gains for purposes of computing tax.

With these rates set to expire at the end of 2010, taxpayers are well advised to keep an eye on things and to consider cashing in gains before the end of 2010 in order to take advantage of these low rates.

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