



Martin H. Abo, CPA/ABV, CVA ■ Abo and Company, LLC

## PRESIDENT OBAMA AND YOUR TAXES

**H**ere's how President-elect Barack Obama's proposals could affect your taxes...

- **Income taxes.** Expect an increase for upper-bracket taxpayers.

**Proposed:** An increase in the highest federal tax rates. In 2009, taxpayers pay the top 35% rate on taxable income over \$372,950. The top rate could go to 39.6%, but probably not until 2010. This increase also might hit taxable incomes in the \$250,000 to \$372,950 range. Currently, such taxpayers pay 33% on such income. This rate could go to 36%.

Similarly, taxpayers with incomes over \$250,000 (married filing jointly) would face long-term capital gains rates as high as 20%, versus the 15% maximum federal rate now in effect. (However, investors in start-up companies would owe no capital gains tax at all when they ultimately sold their investment in the venture.)

- **Payroll taxes.** In 2009, the first \$106,800 of earned income is subject to the Social Security tax of 12.4% (employee and employer each pay half, or 6.2%). All earned income is subject to Medicare tax, which totals 2.9% (employee and employer each pay 1.45%).

**Proposed:** The initial tier of \$106,800 in earnings (indexed for inflation) would remain subject to Social Security tax. All earned income over \$250,000 might ultimately be subject to a payroll tax of 2% to 4%. Wages between \$106,800 and the \$250,000 threshold would not be taxed for Social Security purposes.

- **Estate tax.** Under current law, the federal estate tax exemption will rise from \$2 million in 2008 to \$3.5 million in 2009. Estate assets over this amount are taxed at 45%. In 2010, the federal estate tax is scheduled for a one-year total repeal.

It's a near certainty that the federal estate tax won't be repealed, even for one year. One scenario has the \$3.5 million estate tax exemption and the 45% estate tax rate remaining in place after 2009. A heavily Democratic Congress, though, may prefer a \$2 million exemption and a 55% tax rate on estate assets in excess of \$3 million.

- **Tax relief.** Although tax increases for the "rich" probably are in the cards, lower- and middle-income taxpayers would receive some tax relief. In fact, if the current economic slowdown and market turmoil persist through 2009, tax increases could well be postponed while tax *cuts* move to the forefront as a way to stimulate the economy.

**Proposed:** For those age 65 and older making up to \$50,000 a year, Obama has called for income tax to be eliminated. Home owners who don't itemize deductions would get a tax credit of 10% of their mortgage interest payments (up to \$800). ■ ■

*Bottom Line/Wealth* interviewed Martin H. Abo, CPA/ABV, CVA, principal of Abo and Company, LLC, with offices in Voorhees, New Jersey, and Morrisville, Pennsylvania. He has advised clients on income taxes and estate taxes for more than 35 years. [www.aboandcompany.com](http://www.aboandcompany.com).

Copyright © 2007 by Boardroom Inc., 281 Tresser Blvd., Stamford, Connecticut 06901-3226. [www.BottomLineSecrets.com](http://www.BottomLineSecrets.com)