

THE TAX POLICIES OF THE NEW PRESIDENT

President-elect Barack Obama has proposed a number of tax changes. The following is a summary of Obama's tax proposals:

FAMILIES MAKING LESS THAN \$250,000 (\$200,000 FOR INDIVIDUALS) WOULD:

- maintain the existing marginal income tax rates; and
- maintain the maximum tax rate of 15% on capital gains and dividends.

FAMILIES MAKING MORE THAN \$250,000 (\$200,000 FOR INDIVIDUALS) WOULD EXPERIENCE:

- a reinstatement of top marginal income tax rates of 36% and 39.6%;
- an increase in the top capital gains and dividends rate to 20%; and
- a phase-out of personal exemptions and itemized deductions.

INDIVIDUAL TAX RELIEF PROVISIONS

- A “**Making Work Pay**” Tax Credit would be established and equal to 6.2% of the first \$8,100 (up to \$500 per person) of annual earnings for workers making less than \$75,000 per year.
- A **Universal Mortgage Interest Tax Credit** would be established and equal to 10% of mortgage interest, up to \$800, for tax payers who do not itemize.

- The **Hope Credit** would be replaced by the **American Opportunity Tax Credit** which is available for 100% of the first \$4,000 of qualified tuition expenses (income limits apply).
- Income tax for seniors making less than \$50,000 per year would be eliminated.
- The **Saver's Credit** would be refundable and would expand to a 50% match of the first \$1,000 of savings for families that earn less than \$75,000.00.
- The **Child and Dependent Care Tax Credit** would be refundable and equal to 50% of childcare expenses less than \$6,000.00.
- The **Earned Income Tax Credit** for low-income workers would expand.
- The tax return filing process would be simplified by providing taxpayers who take the standard deduction the option of filing tax forms that have been completed in advance by the IRS.
- The **Estate Tax** exclusion would be set at \$3.5 million per person (\$7 million for married couples), and the top 45% rate on amounts exceeding the exclusion would be maintained.
- The **2009 Social Security Tax** wage base of \$106,800, indexed for inflation would remain. An additional tax of 2 – 4% (combined employer and employee) would be applied to workers with income above \$200,000 (\$250,000 for married couples).

- Penalty-free withdrawals of up to 15% from retirement accounts up to \$10,000 would be allowed and are subject to the usual federal and state income taxes.
- Taxes on unemployment insurance benefits would be suspended.
- The rules requiring retirees over age 70½ to withdraw a prescribed amount from their IRAs and 401(k) plans would be suspended.

SMALL BUSINESS TAX RELIEF PROVISIONS

- **Research and Development** and the **Renewable Energy Tax Credit** (wind, solar) would be permanent.
- Capital gains taxes for entrepreneurs and investors in small business would be eliminated.
- A **Small Business Health Care Tax Credit**, equal to 50% of employer paid premiums, would be established.

- Businesses that create jobs would be provided with a \$3,000 per employee credit for increases in employment.

REVENUE RAISERS

President-elect Obama's proposals would:

- impose a **Windfall Profits Tax** on oil and gas companies;
- eliminate the benefit of international tax havens;
- limit corporate tax deductibility of CEO pay; and
- eliminate unintended oil and gas, international, and domestic tax benefits.

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