

2008 Tax Digest

Prepared for: **Your Client**
Presented by: **Bill O'Quin, CLU, ChFC, RFC**
Financial Services Online

Income Tax Rates and Deductions

Tax Rates

Ordinary Income Tax Rates 10%, 15%, 25%, 28%, 33%, 35%
Capital Gains and Dividend Tax Rates 0% (10%15% tax brackets), 15% (other tax brackets)

Personal Exemption Deduction (\$3,500) Phaseouts

Joint Returns and Surviving Spouses \$239,950 - \$362,450
Heads of Household \$199,950 - \$322,450
Single Taxpayers \$159,950 - \$282,450
Married Filing Separately \$119,975 - \$181,225

Standard Deduction

Joint Returns and Surviving Spouses \$10,900
Heads of Household \$8,000
Single Taxpayers \$5,450
Married Filing Separately \$5,450
Dependent \$900 or \$300 plus earned income, if greater
Age 65 and Older or Blind - Single or Head of Household Additional \$1,350 each
Age 65 and Older or Blind - All Others Additional \$1,050 each

"Kiddie" Tax (children under age 19 and dependent full-time students under age 24)

Amount \$1,800
Alternative Minimum Tax Exemption \$6,400 plus earned income

Child Tax Credit

Amount \$1,000
Refundable Limit \$12,050

Education Deductions/Credits

Hope Scholarship Credit:

100% Amount \$1,200
50% Amount \$1,200

Lifetime Learning Credit:

Amount 20% of the first \$10,000 of qualified tuition and fees

Hope and Lifetime Learning Credits Phaseouts:

Joint Return \$96,000 - \$116,000
All Others \$48,000 - \$58,000

Student Loan Interest Deduction/Phaseouts:

Amount \$2,500
Phaseout Joint Filers \$115,000 - \$145,000
Phaseout All Others \$55,000 - \$70,000

Education Savings Account Deduction/Phaseouts:

Amount \$2,000 per beneficiary
Phaseout Joint Filers Reduces to zero for AGIs between \$190,000 - \$220,000
Phaseout All Others Reduces to zero for AGIs between \$95,000 - \$110,000

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Social Security

| | |
|--|-----------|
| OASDI - Earnings Base | \$102,000 |
| Rate | 6.20% |
| Employer/Employee Maximum Tax Each | \$6,324 |
| Self-Employed Maximum Tax | \$12,648 |
| HI (Medicare) Rate | 1.45% |
| Cost of Living Benefit Increase | 2.3% |
| Quarter of Coverage Earnings | \$1,050 |
| Normal Retirement Age (NRA) - 1943 year of birth | 66 |
| Earnings Test - Retired under NRA all of 2008 | \$13,560 |
| Reach NRA during 2008 | \$36,120 |

Health Savings Accounts

| Coverage | Minimum Deductible | Maximum Contribution | Maximum Out-of-Pocket |
|-----------|--------------------|----------------------|-----------------------|
| Self-Only | \$1,100 | \$2,900 | \$5,600 |
| Family | \$2,200 | \$5,800 | \$11,200 |

Retirement Plan Contribution/Benefit Limits

| | |
|--|---|
| Defined Benefit Plans | \$185,000 maximum benefit |
| Defined Contribution Plans | \$46,000 or 100% of compensation maximum contribution |
| Elective Deferral Limit for 401(k) Plans, SAR-SEPs and TSAs | \$15,500 |
| Catch-up for 401(k) Plans, SAR-SEPs and TSAs (age 50 or older) | \$5,000 |
| Elective Deferral Limit for SIMPLE IRAs and SIMPLE 401(k) Plans | \$10,500 |
| Catch-up for SIMPLE IRAs and SIMPLE 401(k) Plans (age 50 or older) | \$2,500 |
| Elective Deferral Limit for 457 Plans | \$15,500 |
| Minimum Compensation Amount for SEPs | \$500 |
| Maximum Compensation for Qualified Plans, SEPs, TSAs, VEBAs | \$230,000 |
| Highly Compensated Employee Definition Limit | \$105,000 |
| ESOP Payout Limits | \$185,000/\$935,000 |
| Contribution Limit for IRAs (Traditional and Roth) | \$5,000 |
| Catch-up for IRAs (Traditional and Roth) (age 50 or older) | \$1,000 |

Eligible Long-Term Care Insurance Amounts

| Attained Age in 2008 | Limitation on Deductible Premiums |
|--------------------------------------|-----------------------------------|
| 40 or less | \$310 |
| 41 to 50 | \$580 |
| 51 to 60 | \$1,150 |
| 61 to 70 | \$3,080 |
| More than 70 | \$3,850 |
| Per Diem Tax-Free Benefit Limitation | \$270 |

Estate, Gift and Generation-Skipping Transfer (GST) Taxes

| | |
|--|-------------------------|
| Top Tax Rate | 45% |
| Annual Gift and GST Exclusion | \$12,000 |
| Annual Exclusion Non-U.S. Spouse | \$128,000 |
| Gift Tax Unified Credit (exemption equivalent) | \$345,800 (\$1,000,000) |
| Estate Tax Unified Credit (exemption equivalent) | \$780,800 (\$2,000,000) |
| Estate Tax Deferral (Closely-Held Businesses) | \$576,000 |
| Special Use Valuation Limitation | \$960,000 |
| Qualified Conservation Easement Exclusion | \$500,000 |
| GST Exemption | \$2,000,000 |