

2008 TAX UPDATE

IRAs—Contribution Limits/Traditional and Roth

	2008
Regular	\$5,000
Catch-up*	\$1,000

* Taxpayers age 50 and over are eligible to make catch-up contributions.

Roth IRAs

AGI Phase-out range for contributions to Roth IRAs:

MFJ	\$159,000 - \$169,000
Single & HoH	\$101,000 - \$116,000
MFS	\$0 - \$10,000

IRA Deduction if Covered By Retirement Plan

Filing Status	Modified AGI	Deduction
Single & HoH	\$53,000 or less	Full Deduction
	\$53,001 – \$63,000	Partial Deduction
	\$63,001 or more	No Deduction
Married Filing Jointly (MFJ)	\$85,000 or less	Full Deduction
	\$85,001 – \$105,000	Partial Deduction
	\$105,001 or more	No Deduction
Married Filing Separately (MFS)	\$0 – \$10,000	Partial Deduction
	\$10,001	No Deduction

IRA Deduction if Not Covered by Retirement Plan

Filing Status	Modified AGI	Deduction
Single	Any Amount	Full Deduction
MFJ (neither spouse is covered)	Any Amount	Full Deduction
MFJ (spouse is covered)	\$159,000 or less	Full Deduction
	\$159,001 - \$169,000	Partial Deduction
	\$169,001 or more	No Deduction

Education Incentives

Coverdell Education Savings Accounts: Contribution Limit: \$2,000 per beneficiary, per year

AGI Phase-out Range:

AGI Phase outs:	MFJ	\$190,000 - \$220,000
	Single	\$95,000 - \$110,000

Hope Scholarship Credit: Maximum up to \$1,800 per student for first 2 years of higher education tuition paid.

AGI Phase outs:	MFJ	\$96,000 – \$116,000
	Single	\$48,000 - \$58,000

Lifetime Learning Credit: Equal to 20% of taxpayers first \$10,000 of out of pocket qualified tuition and related expenses

Exclusions of U.S. Savings Bond Income:

AGI Phase outs:	MFJ	\$100,650 – \$130,650
	Single	\$67,100 - \$82,100

Student Loan Interest Deduction:

Maximum deduction \$2,500

AGI Phase outs:	MFJ	\$115,000 – \$145,000
	Single	\$55,000 - \$70,000

2008 Kiddie Tax Rules

Dependent children under age 18 pay federal income tax at their parents' rate on investment income over \$1,800. Also applies to children under age 19, and full-time students under age 24, if the child doesn't have earned income equal to at least ½ their support needs.

2008 Capital Gains Rates

Type of Gain	Taxed at:
Net short-term (held one year or less)	Ordinary income rates
Long-term (more than one year) & Qualified dividend Inc.	15% (0% for gain allocable 10% or 15% tax brackets)
Unrecaptured Sec. 1250 Gains	25%
Collectibles	28%
Section 1202 Gains	28%

Maximum Qualified Long-term Care Insurance Premiums Eligible for Deduction

Qualifying LTC contract per diem limit: \$270

Uniform Lifetime Table

Used for calculating Required Minimum Distributions from Qualified Plans and Traditional IRAs.

Current Age	Dist. Period	Current Age	Dist. Period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115+	1.9

Qualified Plans

	2008
Maximum elective deferral to retirement plans, i.e. 401(k), 403(b):	\$15,500
Catch-up contribution limit for 401(k), 403(b), 457, & Roth 401(k):	\$5,000
Maximum elective deferral to SIMPLE 401(k) plans:	\$10,500
Catch-up contribution limit for SIMPLE plans	\$2,500
Maximum elective deferral to 457 Plans of tax exempt employers:	\$15,500
Limits on annual additions to SEP Plans:	\$46,000
Annual compensation threshold requiring SEP contribution (limited to 25%):	\$230,000
Limit on annual additions to defined contribution plans:	\$46,000
Maximum annual compensation taken into account for contributions:	\$230,000
Annual benefit limit under defined benefit plans:	\$185,000
Threshold amount for definition of highly compensated employee:	\$105,000
Threshold amount for definition of key employee in top heavy plans:	\$150,000
Maximum elective deferral to Roth 401(k) plan (no income phase-out)	\$15,500

2008 Tax Rate Schedules**SINGLE**

If taxable income is over	But not over	The tax is	Of the amount over
0	\$8,025	10%	0
\$8,025	\$32,550	\$802.50 + 15%	\$8,025
\$32,550	\$78,850	\$4,481.25 + 25%	\$32,550
\$78,850	\$164,550	\$16,056.25 + 28%	\$78,850
\$164,550	\$357,700	\$40,052.25 + 33%	\$164,550
\$357,700	\$103,791.75+35%	\$357,700

MARRIED FILING JOINTLY (1/2 for MFS)

If taxable income is over	But not over	The tax is	Of the amount over
0	\$16,050	10%	0
\$16,050	\$65,100	\$1,605 + 15%	\$16,050
\$65,100	\$131,450	\$8,962.50 + 25%	\$65,100
\$131,450	\$200,300	\$25,550 + 28%	\$131,450
\$200,300	\$357,700	\$44,828 + 33%	\$200,300
\$357,700	\$96,770 + 35%	\$357,700

HEAD OF HOUSEHOLD

If taxable income is over	But not over	The tax is	Of the amount over
0	\$11,450	10%	0
\$11,450	\$43,650	\$1,145 + 15%	\$11,450
\$43,650	\$112,650	\$5,975 + 25%	\$43,650
\$112,650	\$182,400	\$23,225 + 28%	\$112,650
\$182,400	\$357,700	\$42,755 + 33%	\$182,400
\$357,700	\$100,604 + 35%	\$357,700

2008 Estate Tax Rate

Applicable Exclusion Amount - \$2,000,000	Applicable Credit - \$780,800
Lifetime Gifts Market Value Exemption-\$1,000,000	Applicable Credit - \$345,800
Highest Estate Tax Rate - 45%	Highest Gift Tax Rate - 45%
GST Exemption Amount Allowable - \$2,000,000	GST Transfer Tax Rate - 45%
Annual Gift Tax Exclusion (Single) - \$12,000	Annual Gift Tax Exclusion (Married) - \$24,000

Personal Exemptions

	Exemption	AGI threshold
MFJ (MFS is 1/2)	\$3,500	\$239,950
Single	\$3,500	\$159,950
HoH	\$3,500	\$199,950

*For 2008, a taxpayer can lose no more than 1/3 of the exemption dollar amount.

Standard Deductions

MFJ	\$10,900
Single (also MFS)	\$5,450
Head of Household (HoH)	\$8,000

Itemized Deductions

MFJ	\$159,950
MFS	\$79,975

*For 2008, reduction is 1/3 of reduction that would otherwise apply.

Social Security Wage Base = \$102,000