



Inflation (and other) adjustments for 2008 may impact your taxes and planning

A number of cost-of-living adjustments are built into the Tax Code. Other important amounts and thresholds change as a result of schedules introduced in tax legislation.

Here is a brief summary of some of the key number changes that may have an impact on your income tax, retirement and estate planning in 2008.

	2008	2007
Single	\$5,450	\$5,350
Married filing jointly and surviving spouse	\$10,900	\$10,700

Changes affecting income taxes

- After adjustment for inflation, the 2008 standard deduction amounts will be as follows (2007 amounts included for comparison):
- The 2008 personal exemption amount rises to \$3,500 (up from \$3,400 in 2007).
- A taxpayer’s personal exemptions are phased out as his or her adjusted gross income (AGI) exceeds a certain threshold amount. In 2008 the phaseout ranges are as follows:

	2008		2007	
	Phaseout begins when AGI exceeds	Phaseout completed when AGI exceeds	Phaseout begins when AGI exceeds	Phaseout completed when AGI exceeds
Single	\$159,950	\$282,450	\$156,400	\$278,900
Married filing jointly and surviving spouse	\$239,950	\$362,450	\$234,600	\$357,100

- The threshold for 2008 at which your itemized deductions begin to phase out is \$159,950 (up from \$156,400). For marrieds filing separately only: \$79,975, up from \$75,250.
- The “kiddie tax” rules require that a child’s unearned income (dividends and interest, for example) be taxed at the parent’s usually higher rate. Previously, the kiddie tax applied to a child who was under age 18 and had net unearned income over a certain threshold, and if the parent claimed the child as a dependent. The net income threshold for 2008 is \$900. Under a new rule in effect for the first time in 2008, the kiddie tax will apply to full-time students under the age of 24 but won’t apply to students who provide over one-half of their own support from their earned income (wages, tips, commissions, etc.).

- The tax rate schedules for singles and marrieds filing jointly in 2008 are as follows:

Married Filing Jointly or a Qualifying Widow(er)

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

Singles

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

Marrieds Filing Separately

If your taxable income is:	But not over:	The tax is:
\$0	\$8,025	10% of taxable income
Over \$8,025	\$32,550	\$802.50 plus 15% of the excess over \$8,025
Over \$32,550	\$65,725	\$4,481.25 plus 25% of the excess over \$32,550
Over \$65,725	100,150	\$12,775 plus 28% of the excess over \$65,725
Over \$178,850	\$357,700	\$22,414 plus 33% of the excess over \$100,150
Over \$357,700		\$48,385 plus 35% of the excess over \$178,850

Heads of Households

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



Most estate planning numbers remain the same

- The estate tax and generation-skipping transfer tax exemption amounts in 2008 remain at \$2 million. The maximum lifetime gift exemption amount remains at \$1 million. Remaining unchanged: The top gift and estate tax rate holds at 45%, and the annual gift tax exclusion at \$12,000.

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