

Showdown at the OleTax Corral

November 15, 2010 by Deirdre Wheatley-Liss

The people have spoken and the end is drawing near. The people are all of us who exercised our right to vote earlier this month and the end is the end of the tax cuts passed in 2001. If Congress does nothing, here is what happens to **Income Taxes** come January 1, 2011 (courtesy of savingtoinvest.com) :



	Single	Married Filing Jointly	Potential*	Single	Married Filing Jointly
2010 IRS Tax Rates	2010	2010	2011 Tax Rates	Possible 2011	Possible 2011
Standard Deduction	\$5,700	\$11,400	Standard Deduction	\$5,870	\$11,750
10%	\$0 – \$8,375	\$0 – \$16,750	10%	\$0 – \$8,625	\$0 – \$17,250
15%	\$8,375 – \$34,000	\$16,750 – \$68,000	15%	\$8,625 – \$35,020	\$17,250 – \$70,000
25%	\$34,000 – \$82,400	\$68,000 – \$137,300	25%	\$35,200 – \$84,870	\$70,000 – \$141,400
28%	\$82,400 – \$171,850	\$137,300 – \$209,250	28%	\$84,870 – \$177,000	\$141,400 – \$215,800
33%	\$171,850 – \$373,650	\$209,250 – \$373,650	36%	\$177,000 – \$384,860	\$215,800 – \$384,860
35%	over \$373,650	\$373,650+	39.6%	over \$384,860	\$384,860+
*Assuming a circa 3% increase in income brackets and an increase in tax rate for the top 2 tax brackets only					© www.savingtoinvest.com

And Income Taxes are just the beginning:

We have all been enjoying a **federal capital gain** rate of 15%. This will go up to 20%. **Dividends** have been being taxed at a flat 15% for years now. In January, dividends will be taxed at earned income rates (see chart above).

The **federal estate tax** has been absent this year. It returns in 2011 with a \$1 million exemption amount per person and a 55% maximum rate. **What will Washington do? Who knows.** Maybe nothing, maybe something. My first concern is today in November 15. With a lame duck Congress, Thanksgiving recess and holiday celebrations on the horizon, how much time is there to do something thoughtful and good? Tax policy effects everyone and everything. Its great if you pay less, but the fact is that our government needs money to run, and if it's not coming out of your pocket, it's probably coming out of your other pocket.

Time.com has "The Coming Tax Cut Showdown". Quick summary - everybody wants tax cuts, but they just can't agree who and how. **My fear, the status quo will continue, not because it is good tax policy, but because each side can point to the other and say "I wanted to do something, but he didn't".** Any takers on our elected representatives as a whole stepping outside of politics to just get it done?

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