# Doron F. Eghbali Tax Law

## How to Do Your Tax Planning in Current Uncertain Times

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Amid partisan bickering in Washington DC and volatile economic conditions, businesses and individuals alike feel abandoned and to some extent frightened. The question they all might have in mind is how to protect their hard earned dollars. Let us explore this quandary from the tax perspective and ascertain what we could probably do.

**INCOME TAXES**

**a) Potential Rises in Tax Brackets**

Given the political nature of tax increases and both political parties scrambling to score political goals prior to November mid-term elections, it is possible tax rates to increase. This means middle and higher income families will be hit with more taxes. Probably, if Congress fails to act, the top nominal tax rate will go back to 39.6% and the current 33% tax rate will rise to 36%.

**b) What Could Be Done?**

Given these uncertainties, the only certainty is taxes will not come down. This means such tax rates either go up or stay the same for some tax payers. Accordingly, probably, you should take bonuses this year and defer your deductions until into next year when they are probably more valuable.

**CAPITAL GAINS TAXES**

**a) Potential Tax Rises in Capital Gains**

Capital gain rates for middle income and higher income tax-payers earning $250,000 or more currently is 15%. However, it is very probable such rate to rise, at least for some relatively higher tax payers, to 20%.

**b) What Could Be Done?**

If possible, complete large transactions in this year. This is probably the simplest and simultaneously the most difficult proposition since real estate market is relatively stagnant and stock market is volatile.

**DIVIDENDS TAXES**

**a) Potential Tax Rises in Dividends**

Currently, taxes on qualified dividends, GENERALLY dividends held for more than 60 days, is 15%. However, this expires at the end of this year. The rate rises, if Congress fails to act, to 39.6% for top-earned taxpayers.

**b) What Could Be Done?**

Probably, C Corporations should accelerate their dividends this year. Those C Corporations with no dividends might want to reconsider issuing dividends this year, given other considerations.

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