

The “Daily Plan-It”™

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Tax Proposals of the Presidential Candidates

Fall will be here before you know it, and in 2008 that can only mean one thing (besides the return of a promising football season) - the Presidential Election. There are an amazing number of issues for the candidates to wrestle with. One of the issues we'll be watching is taxation. Both candidates have a plan as to how the United States would run under his term. While each one of us and our respective clients will be impacted differently, we wanted to provide you with a short summary of each candidate's position. The key tax issues on which we are focusing are Estate, Capital Gains, and Income Taxes. I have tried to dissect these categories so that you may gain a better understanding of what each candidate is proposing.

Estate Taxes – Not Repealed!

This first one is intriguing. We all know that the estate tax is scheduled to be repealed in 2010. However, neither candidate is supporting its repeal. Adjustments yes, but repeal no. As of January 1, 2009, the current Federal Estate Tax exclusion is scheduled to jump from \$2 million to \$3.5 million, thus affecting about 0.3% of households. Senator Obama has adopted the Democratic Party's platform to “defer” or freeze the exemption by proposing a \$3.5 million exclusion in 2009 and thereafter, with a top rate at 45%. He would like to make these tax parameters permanent in an attempt to “restore fairness” to the tax system. Senator McCain's plan proposes raising the exclusion to \$5 million per person and cutting the top federal estate tax rate to 15%.

Also, both Senators support retaining the current system for valuing inherited property that has increased in value over the years, referred to as the “stepped-up basis.” This is good news for our CPA colleagues, who are concerned about the repeal of the “stepped-up basis” under current law.

Capital Gains

Senator McCain would like to keep the current structure of tax rates on capital gains and dividends.

Senator Obama, on the other hand, would like to raise the long-term capital gains rate to 20% if your income is over \$250,000.

Income Taxes

Last but not least is a comparison of how each candidate would handle your income taxes. Senator McCain would not change much from the current system. He favors giving us a 35% income tax rate and keeping Social Security taxes at the current level. On the other hand, Senator Obama wants to increase the income tax rate to 39.6%. He also proposes higher Social Security taxes for those with incomes over \$250,000.

Election 2008

We don't know which candidate will be our next President. However, their tax policies are influential with many voters. None of these proposals will be signed into law without debate, and of course, Congressional approval. Make your vote count.

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