

## **Taxes that Must be Stopped**

**By John Campbell**

In light of the debate over the economic stimulus package, many people have forgotten about the impending danger of major tax increases. Below are some of the tax increases you will get if Congress does nothing. These increases will be automatic unless Congress does something to stop them.

This is yet another reason why I opposed the stimulus package. Making the current tax rates permanent is more important than any one time wealth redistribution that is disguised as a rebate.

### **2008:**

- The exemption for the Alternative Minimum Tax (AMT) will decrease from \$44,350 to \$33,750 for single filers and from \$66,250 to \$45,000 for married couples filing jointly.
- Taxpayers will not be allowed to deduct their state and local general sales taxes from their federal income tax.
- Taxpayers will not be able to adjust their income for qualified tuition and related expenses.
- Businesses will not be able to claim a tax credit for research, experimentation, and development activities.
- First-time homebuyers in the nation's capital will no longer be able to claim a tax credit.

### **2009:**

- Taxpayers will no longer be able to claim a tax credit for certain residential energy efficient property, a tax credit for the construction of new energy efficient homes, or a tax deduction for energy efficient commercial building property.

### **2010:**

- The Section 179 business expensing cap will decrease from \$128,000 (plus inflation after 2008) to \$25,000, and the starting point for the phase-out of this deduction will decrease from \$510,000 (plus inflation after 2008) to \$100,000.

## 2011:

The marginal income tax rates will increase as follows:

- 35% bracket will increase to 39.6%
- 33% bracket will increase to 36%
- 28% bracket will increase to 31%
- 25% bracket will increase to 28%
- 10% and 15% brackets will condense to 15%

- The capital gains rates for individuals will increase from 15% and 0% to 20% and 10%.
- Dividends will no longer be taxed at the capital gains rates for individuals, thereby increasing the double taxation of dividends by as much as 62%.
- The standard deduction for couples as a percentage of the standard deduction for singles will decrease from 200% to 167%--restoring the marriage penalty.
- The top end of the 15% marginal income tax bracket for couples as a percentage of the top end for singles will decrease from 200% to 167%--restoring the marriage penalty.
- The child tax credit will decrease from \$1,000 to \$500.
- The “death” tax using the “stepped up” basis will return with a 55% maximum rate (including surtax) and a \$1 million exemption, after years of decreasing “death” tax rates, increasing exemptions, and one year using the “carryover” basis to calculate the tax due.