



UPDATED: February 6, 2008

## **Impending Tax Increases** *If Congress Takes No Action....*

Unless Congress takes action, the following tax increases\* will automatically occur for the following tax-years:

### **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.

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\*This list is not exhaustive. For a more exhaustive list, see this webpage: <http://www.house.gov/jct/x-1-08.pdf>.

**Sources for the above information: Joint Committee on Taxation and Americans for Tax Reform.**

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