

## 2008 TAX STRATEGIES & TAX ALERT

### Cut your capital gains rate down to zero!

The maximum tax rate for long term capital gains is only 15% for high-income taxpayers. Seems like a pretty good deal, right? Even better, the rate is a minuscule 5% for some lower-income taxpayers. But how low can you go if you plan effectively and creatively.

**Strategy:** Start planning now to reduce taxable income for this year. If you can keep your taxable income below the magic cutoff point, the tax rate on your long-term capital gains can be planned to hit absolute rock-bottom at zero.

If you play your cards right, you won't owe any federal income tax on long-term gains when you sell securities and other capital assets in 2008.

**Here's the whole story:** *Thanks to the tax law passed back in 2003, the maximum tax rate on long-term capital gains was reduced from 20% to 15% for everyone in an ordinary income tax bracket above 15%. **For those individuals in the two lowest ordinary-income tax brackets – the 10% and the 15% brackets – the rate dropped to 5%.** In addition, the 2003 tax law carved out a zero percent capital gains tax rate for those lower-income taxpayers for 2008 only. After 2008, the capital gains rate was scheduled to revert to 20% for everyone.*

### Capital gains rate extended

The Tax Increase Prevention and Reconciliation Act (TIPRA), extends those capital gains tax breaks for two more years. **Currently, the lower rates will expire after 2010, unless Congress takes further action.** So, as things stand now, the zero percent tax rate still takes effect this year and will hopefully last through 2010.

*What is the cutoff point for the 15% ordinary-income bracket? It's indexed for inflation each year. For instance, the threshold for 2007 was \$63,700 for married couples filing jointly (\$31,850 for single filers). The top dollar amount should be a few bucks higher this year. If you huff and puff and plan well, you might wriggle underneath the bar in 200 for your personal financial gain.*

## **Tax Planning Strategies**

Contact your Investment Advisor or Tax Planner for information on these strategies to protect yourself and help create these opportunities to reduce any long-term capital gains tax you have incurred or you now may plan on accelerating into 2008.

You might give generously to charity and push state and local income-tax deductions into 2008. Similarly, you might max out on contributions to your 401(k) or other retirement plan. Then you can cash in on a tax bonanza when you sell appreciated stocks or real estate during 2008.

Remember that you must have held the asset for more than one year to qualify for long-term treatment. The IRS taxes anything less at ordinary-income rates. Plus, it taxes long-term gains on certain collectibles such as works of art, at the lesser of your regular rate or 20%.

Leading Financial Planners and Investment Advisors are also utilizing quality low-risk Oil and Gas Investment Programs to facilitate this strategy through the effect of the Intangible Drilling Tax Deduction that can pass directly through to the Investor(s) to bring down their Adjusted Taxable Income base. This could then allow the Investor(s) to qualify for the lower capital gains tax treatment for this tax year.