

## RESIDENT CHANGE AT THE WHITE HOUSE

Will our new President beginning in 2009 be Senator John McCain or Senator Barack Obama? We can try and predict the answer; however, we know inevitably there will be a change in the U.S. tax policy. But voters really want to know one thing: How would the presidential candidates' views affect their tax bill?

Let's look at the candidates' positions on capital gains, income, payroll, and estate taxes. This information was based on comments made by the candidates themselves, through interviews and their respective websites, and political analysts.

We know President Bush reduced the dividend and capital gains tax rates to a maximum of 15 percent and that those cuts are set to expire in 2010. So unless new legislation is drafted extending the rates, the tax on capital gains will go up to a maximum of 20% and dividends will be taxed as ordinary income.

If elected, Obama has indicated he would raise the capital gain rate from the current 15% to 20% or up to 28%, while McCain has said he wants to make the current capital gains rate permanent.

High income individual taxpayers under an "Obama" administration would pay more in taxes, while everyone else's tax bill would be reduced. Those who would benefit the most are in the lowest income groups. The average taxpayer in every income group under McCain's leadership would see a lower tax bill, but high-income taxpayers would get a bigger piece of the pie.

Obama also advocates removing the "cap" on earnings subject to FICA (Social Security) tax. Currently, FICA tax is only paid on wages up to \$102,000. Obama would propose a gap between \$102,000 and \$250,000 which would not be subject to Social Security tax, but all wages in excess of \$250,000 would bear the FICA tax. McCain has not commented on any changes in the cap on social security that we are aware of.

The only thing both candidates seem to agree on is that the estate tax will not be repealed.

We do not have psychic powers to determine either the outcome of the election or the timing of newly enacted legislation. Nevertheless, it may be advantageous to consider what "might be" and try to minimize potential negative tax consequences that may come with a significant change in tax policy when a new president takes office.

The "Tax Increase Prevention Act of 2007" (TIPA) provides for a one-year patch of the AMT for 2007 but does not offset the revenue cost of the measure with revenue raising provisions.