



The Chak Tax Beat

Monitoring & keeping the pulse on taxes and tax planning for you!

The State of the Estate

Well, since there has been a lot of press on this lately, you probably already know that if you check out in 2009, \$3.5 million of your estate skips the estate tax. If you expire in 2010 none of your estate is taxed (under current law) and if you kick the bucket in 2011 only \$1 million of your estate skips the estate tax. So, obviously, there will be some new rules put into place. When . . . Probably at the last possible moment as Washington always seems to do.

Obama and McCain each have a plan:

McCain Plan

Raise the exclusion to \$5 million per person and cut the top tax rate from 45% to 15%. While this sounds like a great idea where does he plan to replace the revenue the government loses?

Obama Plan

Keep the exclusion at \$3.5 million and the top tax rate of 45%. This would retain the current law as it pertains to 2009.

Chakarlan Plan

No tax imposed on anyone with a last name starting with the letters "CH".



Actually under both plans very few estates would be subject to estate tax for married couples. With the use of A/B trust provisions, you would need an estate of more than \$7 million to have any estate tax implications.

This article is not intended as support or lack of support for either candidate. I am Robert Chakarlan and I approve this message.

The Boys in D.C. are Busy...

Okay, sorry, the "people" (girls included) have been busy with the passage of two new tax acts . . . the Farm Bill or the Heartland, Habitat, Harvest and Horticultural Act of 2008 and the Military Tax Relief Bill or the Heros Earnings Assistance and Relief Tax Act. The following is a brief list of items from each act.

Heartland, Habitat, Harvest and Horticultural Act of 2008:

- Permits the exchange of water rights under code section 1031
- Uniform depreciation of three years for all racehorses
- Extends treatment of charitable deduction of conservation easments to 12/31/09

Heros Earnings Assistance and Relief Tax Act:

- Military reservists called to active duty for more than a short tour can make penalty free (but not tax free) withdrawals from IRS's, 401k's and flexible spending arrangements
- Individuals receiving military death benefits do not have a limitation on contributions to Roth IRA's and Coverdell Education Savings Accounts

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Where the IRS Collects Most Taxes

	<u>2007</u>	<u>1987</u>
Corporate Income Tax	\$395 Billion	\$102 Billion
Individual Income Tax	\$1.2 Trillion	\$465 Billion
Employment Taxes	\$850 Billion	\$277 Billion
Estate Taxes	\$28 Billion	\$8 Billion

California had the highest number of returns with AGI of \$1 million or more with 52,590 returns filed. North Dakota had the fewest filed with 333.

The Soapbox

Well, I am getting really sick and tired of hearing a certain political party saying that the lower and middle income working family is paying too much tax and needs a break. Meanwhile, they are claiming that higher income individuals and business owners need to pay more tax. How about I present a simple scenario and let you decide:

Lower Income Family

\$200K Mortgage
\$60K Income

Federal Income Tax	\$ 2,000
Social Security Tax	3,700
Medicare Tax	900
California Income Tax	<u>200</u>
	<u>\$ 6,800</u>

Higher Income Taxpayer

\$400K Mortgage
\$200K Income (Business Owner)

Federal Income Tax	\$ 32,000
Social Security Tax	12,500
Medicare Tax	5,800
California Income Tax	<u>9,300</u>
	<u>\$ 59,600</u>

Enough Said !!

