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TAX TIPS

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THE ESTATE TAX – NOW YOU SEE IT...NOW YOU DON'T...

If you're thinking of jumping off a building, the smart move would be to wait until January 1, 2010 when the estate tax is *supposed* to be repealed for one year only. On January 1, 2011, this tax is scheduled to return to its' earlier version of a \$1,000,000 exemption and a top bracket of 55%.

Obviously, dying would be most cost effective in 2010. If you or a loved one are on life support at the end of 2009 – be sure to leave instructions to stay plugged in until January 1, 2010. If you or a loved one are on life support at the end of 2010 – be sure to leave instructions to pull the plug before December 31st.

With all the controversy swarming around this tax, the truth is – it has usually cost more to enforce than the revenue it generates. Now there are two new studies which tend to bear this out.

According to the first study conducted by the American Family Business Foundation – repealing the estate tax could create 1.5 million new jobs in the small business sector. These new jobs would be a direct result of additional cash available to expand investment in small businesses. The second study, done by the Institute for Research on the Economics of Taxation, reports that although the estate tax generates about 1% of total federal

revenues, it has a negative effect on job creation and investment, which will reduce income tax revenues by more than 1%.

As we have been saying for the past several years – the estate tax will *never* be repealed. So don't hold your breath. What should happen, is some sort of compromise. The most popular package on the table currently is to freeze the tax at its 2009 levels. This would mean a life-time exemption of \$3.5 million and a top rate of 45%. We should have a definitive answer soon. January 1, 2010 is a little over 6 months away. You can bet we'll have a new estate tax law before then.

MORE ON ESTATE TAX...

The Obama administration is hoping to raise money to help fund its' health care initiatives by limiting the practice of discounting the value of shares held in family businesses when valuing these entities for gift or estate tax purposes. They would accomplish this by eliminating the ability to use a discount for minority interest when one family member is the donor and another is the donee. Talk about a blow to small businesses!

This pre-supposes that all family members can be treated as one cohesive unit. When one is in control – all are in control. In practice – nothing could be further

from the truth. Somebody up there needs to do some research here.

HEALTH CARE UPDATE...

Get prepared. Health care as we know it is about to change drastically – if the majority in Congress has its way.

Possible changes...

1. Every U.S. citizen will be *required* to have health insurance whether they want it or not.
 - a. Penalties will be assessed on individuals who could find affordable insurance but who do not do so.
 - b. Proof of health insurance will be required with the filing of form 1040 (including the name, address and Social Security number and insurance policy information for each individual – including children) How they will justify this information as required tax information will probably be a bit tricky. However – lately – no justification or explanation seems necessary for much of what is coming out of Congress these days.
2. Part – if not all – of employer paid health insurance will become taxable (income taxable AND FICA taxable) to the employee (a complete U-turn from the President's campaign promises). **THIS INCLUDES MEDICARE BENEFITS** (which are already taxable as part of Social Security benefits –but are not subject to FICA taxes – yet).
3. The United States may move to a "single payer" (government) health care system, similar to Canada and the U.K. From what we hear about

these systems – they have a lower cost per capita than we do. However, many people say this is because a sick person has to wait so long (sometimes years) for treatment/surgery that many die while waiting.

4. Next we'll probably have a congressional committee made up of politicians reviewing the criteria for various treatments. They now consider themselves qualified to run banks and automobile companies – why not make medical decisions as well? Just FYI – it's been reported that when discussing the "misplaced expenditures" of our current health care system – someone told the story of his relative who was 75 years old and had knee replacement surgery and then had the nerve to die 7 months later wasting the funds spent on the surgery. So – we may also have age limitations for certain procedures. If you're over 60 – you're on the way down so no heart surgeries for you. Maybe 50 will be the threshold for joint surgery – as at that age you must be too old to run anyway. "Cost effective" will become the new criteria in determining who gets which kind of treatment. If this happens – jobs won't be the only thing being outsourced to India and other countries. Americans will get on planes and take their health care issues to other countries as well. Canadians, who come to the U.S. to avoid the long waits in their country – will have to find a new health care destination.

The fair thing to do here – would be to require all members of the U.S. government to be enrolled in the same health care plans as the rest of us taxpayers. No more special paid-for health care for them. Then, I wonder

how many in Congress would vote for this idiocy. What's good for the goose – is definitely not good enough for the gander. Maybe the playing field should be leveled. What say you? If you care – write/call/email your congressional representatives – NOW.

NON-FILERS TO BECOME FELONS...

Listen up all you non-filers...

The current administration is proposing to make felons out of people who have not filed returns for several years. In most of these cases – there is no fraud. There are only citizens who have fallen behind and each year the task gets more daunting. Usually, we try to help these people catch-up and comply. The Obama administration – wants them classed as

felons and sent to jail. (Seems they think putting people in jail solves the problem and won't cost much either.)

MANDATORY E-FILING ALSO ON THE WAY...

Coming down the pipeline...all tax return preparers who prepare at least 100 returns will be REQUIRED to file all returns electronically. Failure to comply with these requirements could result in a penalty of \$25,000. So – all you taxpayers who insist on not using the e-filing system...get prepared. It's gonna happen. Probably sooner than later.

Just remember – in the wise words of Yogi Berra....it ain't over 'til it's over. Congress is far from done. You may need your oxygen masks. It's going to be quite a ride.

