

## Tax Update

Stanley Greenfield, RHU

On November 6, 1990, George Bush signed The Revenue Reconciliation Act of 1990. This new tax law was designed to reduce the federal deficit by \$500 billion over the next five years. It will also impact on the taxes paid by every citizen of this great country of ours. You, the reader, will be affected by the amount of taxes you pay in many areas. Let's take a look at how this new tax law will affect your pocketbook.

We now have a simplified tax rating schedule. Just three brackets to deal with. For married couples filing jointly here are the rates:

Taxable income	Tax rate
\$0 -- \$32,450	15%
\$32,451 -- \$78,400	28%
\$78,401 and up	31%

If you are single, here are your new rates:

Taxable income	Tax rate
\$0 -- \$19,450	15%
\$19,451 -- \$47,050	28%
\$47,051 and up	31%

That sounds simple enough on the surface, but if you look a little closer the plot thickens. Let's start with a single taxpayer with an adjusted gross income (AGI) above \$100,000. For every additional \$2,500 of AGI you add, you lose 2 percent of your personal exemption. The phase-out of that exemption continues until you reach an AGI of \$222,500, at which point you have no personal exemption left. For a married taxpayer, filing jointly, it begins at \$150,000, and is totally lost at \$272,500.

The law goes even further than that. Both single and married taxpayers with adjusted gross incomes over \$100,000 must reduce itemized deductions by 3% for all income over that limit. For example, a couple with a gross income of \$150,000 is \$50,000 over the limit, so they will have to subtract \$1,500 from their itemized deductions. (The \$1,500 is \$50,000 times the 3%.) If their income was \$200,000, they would lose \$3,000 from deductions. We started this whole thing by saying that the tax laws are simpler with only three brackets, but now we see the law does have a sliding scale, and that scale slides in one direction -- up!

You now have the privilege of paying more for your gasoline. The tax on gas is now five cents per gallon higher. If you drive a diesel, have no fear, Uncle Sam has not forgotten you. Your tax is also up

by five cents. Happy traveling!

You say you like nice things? Good! You will now pay more too. Ten percent tax on the price in excess of \$10,000. For cars, that 10 percent is for the excess over a sales price of \$30,000, and for boats, 10 percent over a sales price of \$100,000.

If you still smoke, you will now pay four cents more per pack, and in 1993, the price will go up another four cents.

You say you enjoy a little nectar of the vine? Well, Uncle Sam will now allow you to pay about 16 cents more per fifth, and about 5 cents more per can for beer. Wine will run about 18 cents more per bottle.

The congressional Joint Tax Committee did a study on the affects of this new tax law on the average family's tax bill, and if you make over \$200,000, your total tax bill is estimated to be about 6 percent higher. If your income is between \$20,000 to \$200,000, you will have an increase of around 2 percent. There is some good news from all of this. If your income is below \$20,000, your tax bill will go down by around 2 1/2%. Now aren't you happy?

There are a number of other changes that won't begin to surface until we start to deal with them at tax time. You can be sure of one thing, these other changes will do nothing but increase your tax liability. I will now jump up on my soapbox and start to preach what I have been preaching since the beginning of time. You must start to plan defensively when it comes to dealing with taxes. the goal is to shelter dollars and take full advantage of all that the law allows.

Above all, don't panic and be too concerned about this latest tax law. By the time we know its full impact, we will have a new one to play with!

Your comments and inquiries may be directed to:

*Stanley B. Greenfield, R.H.U.*  
*7240 Swansong Way*  
*Bethesda, Maryland 20817*

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