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About Your Foundation

Since 1973, **Toledo Community Foundation** has provided individuals, families and businesses interested in the well-being of our community with an *efficient, effective, low-cost, professionally managed* mechanism to achieve their charitable goals.

For philanthropists wishing to maximize the impact and life of their charitable gifts, the Foundation provides *resources for thoughtful giving*. Using its expertise and personalized services, **Toledo Community Foundation** helps donors transform their philanthropic impulse to measurable community impact. Beyond the gifting of assets, the Foundation helps donors identify issues of importance to them and *inspires engagement* with community organizations addressing these issues, thereby maximizing the impact of charitable gifts and creating a greater sense of fulfillment.

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So, What's in the Agreement, Anyway?

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In addition to continuing the Bush tax cuts for two years, the proposed agreement between the Obama administration and Republican leaders contains a long list of incentives and tax breaks. Who would benefit if Congress adopts the package:

Wage earners

Social Security taxes

The compromise would decrease Social Security payroll taxes to 4.2% from 6.2% for two years. The White House estimates the two- year payroll tax cut would reduce taxes by \$120 billion next year for 155 million workers.

The payroll tax cut would save a worker with annual income of \$40,000 about \$800 a year. A worker with \$70,000 in income would save \$1,400.

Unlike the income tax cuts, which benefit only workers who earn enough to owe federal income taxes, a payroll tax cut would affect just about every working American.

The jobless

Unemployment benefits

The agreement would extend unemployment benefits for the long- term unemployed by 13 months, through the end of 2011. Without the extension, 7 million unemployed workers would lose their benefits by next November.

Middle-income taxpayers

Alternative minimum tax

The compromise includes a stopgap measure that would prevent the alternative minimum tax from spreading rapidly in 2011.

The AMT is a parallel tax system that eliminates many popular deductions and credits, resulting in a higher tax bill. It was originally intended to prevent wealthy taxpayers from using loopholes and deductions to avoid paying any taxes. But the income threshold was never indexed to inflation, and in recent years, Congress has enacted a temporary fix each year to limit its growth.

If Congress fails to enact a stopgap measure before Dec. 31, up to 25 million taxpayers would owe the AMT in 2010, up from 3.9 million in 2009, according to an analysis by H&R Block. Those taxpayers would pay an average of \$3,000 to \$5,000 in additional taxes, says Kathy Pickering, executive director of H&R Block's Tax Institute.

Parents

American Opportunity Credit

This credit, which provides a tax credit of up to \$2,500 per student per year, would be extended for two years. Parents can claim the credit for up to 100% of the first \$2,000 in qualified college costs and 25% of the next \$2,000. To get the full credit, they'll need to spend at least \$4,000 on qualified expenses.

Forty percent of the credit is refundable, so a low-income family that doesn't owe federal taxes could receive a check from the government for up to \$1,000.

In addition, the income limits on this credit are broader than limits on the Hope and Lifetime Learning Credits, which have been around since the Clinton administration. Married couples with modified adjusted gross income of up to \$160,000 can claim the full credit.

Child tax credit

This tax credit would be extended for two years. This credit allows eligible families to reduce their federal tax bill by up to \$1,000 for each qualifying child under age 17.

Earned Income Tax Credit

The expansion of the Earned Income Tax Credit included in the economic stimulus package would continue for two more years. The White House estimates that a working family with three children making \$20,000 would continue to receive a tax cut of more than \$2,000 as a result of the proposed expansion of the EITC and child tax credit.

Wealthy families

Estate tax

The agreement would restore the estate tax but only for a "tiny sliver of the population," says Richard Behrendt, senior estate planner for Baird Financial Advisors.

The compromise would exempt estates valued at less than \$5 million from estate taxes. For estates that exceed that threshold, assets over \$5 million would be taxed at a 35% rate.

In 2009, only 8,238 estates exceeded \$5 million, according to IRS data. Of that number, only 4,296 had to pay federal estate tax, primarily because of the marital deduction, Behrendt says. Spouses can inherit an unlimited amount of assets tax-free. The federal estate tax expired at the end of 2009, allowing heirs of wealthy scions who died this year to inherit millions of dollars tax-free. But unless Congress acts, it will return next year at a much higher rate: 55% on estates valued at more than \$1 million.

If the compromise is approved, the majority of families won't have to worry about estate taxes, Behrendt says. But that doesn't diminish the need for estate planning, such as drawing up a health care directive and deciding who should inherit your assets, he says.

And extremely wealthy families should be forewarned: If the number of taxable estates shrinks, those that are still taxable will likely receive additional scrutiny from the IRS, says Behrendt, who worked at the IRS for 12 years. "They are going to be the most complex, complete, thorough audits we've ever seen."

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