



Toledo
Community
Foundation

Inspiring and Connecting Thoughtful Giving

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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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Something for Everyone

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The tax deal negotiated by President Obama and Republicans has something for virtually everyone.

Political discussion about the compromise has focused on how much money the wealthy would save. Yet, if the deal is approved by both houses of Congress, you would be almost certain to see more money in your wallet beginning in January, whatever your income.

That's because the package, if approved by Congress, provides a bonus to the widely anticipated extension of the Bush-era tax cuts. The surprise perk: a one-year reduction in Social Security payroll taxes.

An extension of unemployment benefits also would be included through December 2011.

"If this package does indeed pass, it's going to make a significant difference over the coming year for middle-class taxpayers," said Melissa Labant, a tax manager for the American Institute of Certified Public Accountants.

Economists expect the combination of current tax rates, reduced payroll taxes and other tax benefits would induce consumers to spend more and investors to turn more bullish.

A look at key elements of the package:

Payroll tax

The government takes 6.2 percent out of your paycheck, up to \$106,800, for Social Security. That would drop to 4.2 percent in 2011.

If you make \$50,000 a year, you would pay \$1,000 less. If you're paid twice a month, you would have an extra \$41.67 in each paycheck. Those making more than \$106,800 a year would receive the maximum savings of \$2,136.

"That certainly provides an added level of dollars to do whatever people were planning on doing, whether that's saving or spending," said Greg Rosica, a tax partner at Ernst & Young LLP.

Estate tax

More than 40,000 estates valued at \$1 million to \$10 million wouldn't pay inheritance taxes next year under the deal, leaving only about 3,500 of the largest estates subject to federal taxes.

The estate tax reaches fewer than 1 percent of inheritances, but it long has been a political lightning rod. Many Republicans want to eliminate it, derisively calling it a "death tax" that makes it difficult for

parents to transfer small businesses to their children. Seattle Times publisher Frank Blethen also has been a vocal proponent of its repeal.

The tax was repealed temporarily this year, but it is scheduled to return with a top rate of 55 percent for estates larger than \$1 million for individuals and \$2 million for married couples.

Obama's plan would set the top rate at 35 percent and exempt the first \$5 million of an estate. Couples could exempt \$10 million.

Tuition tax credit

Families with children in college would benefit from a tax credit for tuition and fees. A \$2,500 maximum would remain in place for two years. A credit reduces taxes owed, versus a deduction which reduces taxable income.

Parents familiar with 529 college savings plans may question what to prioritize. A 529 account encourages savings by enabling holders to make tax-free withdrawals for eligible college expenses.

Parents should set aside \$4,000 per year to maximize the tax credit before contributing to a 529 plan, said Mark Kantrowitz, a college financial-aid expert and publisher of FinAid.org. That's because directly lowering their tax bill exceeds the financial benefit of tax-free distributions.

The extension would be welcome assistance: The average annual cost of in-state public four-year schools increased to \$7,605 this fall, and private-college expenses increased to \$27,293.

Child tax credit

More good news if you're a parent: The \$1,000 child tax credit would be extended for two years. Taxpayers with income of less than \$75,000 — or \$110,000 for married couples filing jointly — qualify for the full amount.

AMT

More than 21 million taxpayers would win a reprieve from the alternative minimum tax (AMT) for 2010 and 2011.

The AMT was enacted in 1969 to make sure wealthy people couldn't avoid taxes, but it wasn't indexed for inflation. This means Congress must raise the amount of income exempt from the AMT each year to spare millions from tax increases averaging about \$3,900.

Without an adjustment, taxes would increase for individuals making as little as \$33,750 and for married couples making \$45,000.

Similarly, a married couple making \$85,000 with two college-age children would pay \$4,500 more in taxes, according to an analysis by The Tax Institute at H&R Block. A married couple making \$100,000 with two young children would face a tax increase of more than \$6,100.

Capital gains, dividends

Current tax rates on long-term capital gains would remain in place for two years. The tax applies to profits from the sale of an asset, such as stock, held more than a year. The highest rate, 15 percent, was expected to rise to 20 percent next year.

Investors also would benefit from an extension of historically low tax rates on dividend income, which top out at 15 percent. Without action, dividend payments would be taxed as regular income, increasing the tax rate to as much as 39.6 percent for top earners. The extension would mean a savings of nearly a quarter on every dollar of dividend income for this group.

Individuals with dividends paid to taxable accounts collectively could expect to save nearly \$75 billion over two years, according to an analysis by Standard & Poor's analyst Howard Silverblatt.

Cliff Caplan, a financial planner and president of Neponset Valley Financial Partners in Norwood, Mass., said an extension of the lower tax rates would lift prices of dividend-paying stocks as they become more popular with investors who could avoid higher tax rates for at least two more years.

Jobless benefits

Million of job seekers would benefit from an extension of their current benefits through December 2011. The extension would apply to workers laid off for more than six months, and fewer than 99 weeks. As many as 7 million Americans would lose benefits next year without the 13-month extension. Obama's Council of Economic Advisers estimates the provision would create 600,000 jobs next year.

That's because the unemployed typically live on the edge, spending every dollar they receive. Those dollars flow to businesses, putting them in position to hire.

The average weekly payment for the roughly 8.5 million people who now receive unemployment benefits is \$302.90. But it varies widely by state. Each state has a formula meant to replace a portion of an unemployed person's old income.

Seattle Times staff contributed to this report.

Potential tax increases
If Congress fails to extend the Bush-era tax cuts, families at every income level face tax increases next year.

2011 income	No. of tax returns	Avg. tax increase
Less than \$10,000	28,681,000	\$70
\$10,000 to \$20,000	24,383,000	\$410
\$20,000 to \$30,000	18,523,000	\$756
\$30,000 to \$40,000	15,679,000	\$893
\$40,000 to \$50,000	13,001,000	\$923
\$50,000 to \$75,000	23,972,000	\$1,126
\$75,000 to \$100,000	15,245,000	\$1,837
\$100,000 to \$200,000	16,885,000	\$3,672
\$200,000 to \$500,000	3,757,000	\$7,187
\$500,000 to \$1 million	608,000	\$18,092
\$1 million-plus	315,000	\$101,587

Source: Joint Committee on Taxation

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