



Jim Lange's 2008-2009 Tax Planning Card

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HOW to COMPUTE YOUR FEDERAL INCOME TAX

Example: For a married couple in 2008 with taxable income of \$70,000, refer to the *MARRIED FILING JOINTLY* section of the 2008 chart listed below. See \$65,101 - 131,450 and calculate as follows:

$$\$70,000 \times 25\% = \$17,500 - \$7,313 = \$10,187$$

CALCULATION of TAXABLE INCOME

To determine taxable income, please follow these steps:

1. List your total income. (*U.S. Form 1040, Line 22*)
2. Subtract adjustments to income, which include allowable IRA and retirement plan deductions, alimony paid and one-half of self-employment tax. (*Line 36*)
3. You now have your adjusted gross income, AGI. (*Line 37*)
4. Subtract the larger of the standard deduction or your itemized deductions. (*Line 40*)
5. Subtract your deduction for personal exemptions. (*Line 42*)
6. Arrive at taxable income. (*Line 43*)
7. Insert taxable income into the appropriate table below.
8. Make adjustments for dividends and capital gains.

2008 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 16,050	x 10%	- \$ 0	= Tax
16,051 - 65,100	x 15%	- 803	= Tax
65,101 - 131,450	x 25%	- 7,313	= Tax
131,451 - 200,300	x 28%	- 11,257	= Tax
200,301 - 357,700	x 33%	- 21,272	= Tax
357,701 and above	x 35%	- 28,426	= Tax

SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 8,025	x 10%	- \$ 0	= Tax
8,026 - 32,550	x 15%	- 401	= Tax
32,551 - 78,850	x 25%	- 3,656	= Tax
78,851 - 164,550	x 28%	- 6,022	= Tax
164,551 - 357,700	x 33%	- 14,250	= Tax
357,701 and above	x 35%	- 21,404	= Tax

HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 11,450	x 10%	- \$ 0	= Tax
11,451 - 43,650	x 15%	- 573	= Tax
43,651 - 112,650	x 25%	- 4,938	= Tax
112,651 - 182,400	x 28%	- 8,318	= Tax
182,401 - 357,700	x 33%	- 17,438	= Tax
357,701 and above	x 35%	- 24,592	= Tax

MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 8,025	x 10%	- \$ 0	= Tax
8,026 - 32,550	x 15%	- 401	= Tax
32,551 - 65,725	x 25%	- 3,656	= Tax
65,726 - 100,150	x 28%	- 5,628	= Tax
100,151 - 178,850	x 33%	- 10,636	= Tax
178,851 and above	x 35%	- 14,213	= Tax

2009 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 16,700	x 10%	- \$ 0	= Tax
16,701 - 67,900	x 15%	- 835	= Tax
67,901 - 137,050	x 25%	- 7,625	= Tax
137,051 - 208,850	x 28%	- 11,737	= Tax
208,851 - 372,950	x 33%	- 22,180	= Tax
372,951 and above	x 35%	- 29,639	= Tax

SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 8,350	x 10%	- \$ 0	= Tax
8,351 - 33,950	x 15%	- 417	= Tax
33,951 - 82,250	x 25%	- 3,812	= Tax
82,251 - 171,550	x 28%	- 6,280	= Tax
171,551 - 372,950	x 33%	- 14,858	= Tax
372,951 and above	x 35%	- 22,317	= Tax

HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 11,950	x 10%	- \$ 0	= Tax
11,951 - 45,500	x 15%	- 598	= Tax
45,501 - 117,450	x 25%	- 5,148	= Tax
117,451 - 190,200	x 28%	- 8,672	= Tax
190,201 - 372,950	x 33%	- 18,182	= Tax
372,951 and above	x 35%	- 25,641	= Tax

MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 8,350	x 10%	- \$ 0	= Tax
8,351 - 33,950	x 15%	- 417	= Tax
33,951 - 68,525	x 25%	- 3,812	= Tax
68,526 - 104,425	x 28%	- 5,869	= Tax
104,426 - 186,475	x 33%	- 11,090	= Tax
186,476 and above	x 35%	- 14,820	= Tax

Net long-term capital gains and qualified dividends will reduce computed Quick Calc tax liability, while the alternative minimum tax will increase it. Tax rates for 2009 are based on current law and do not reflect any changes that are anticipated to take effect in 2009 with the new administration.

Will You Have Enough Money to Retire?

Get the answers in the 2nd edition of Jim Lange's book *Retire Secure! Making Your Money Last* (Wiley, February 2009 – foreword written by *Larry King*). Jim explores new tax-saving strategies reflecting recent tax law changes including the one-person 401(k), Roth IRA conversions which become available to everyone in 2010, the benefits of a stretch IRA and the Roth 401(k) and Roth 403(b). More at www.retiresecure.com.

Jim Lange provides the following services: retirement and estate planning, financial and investment services, traditional accounting and tax return preparation, drafting wills and trusts and life insurance planning.

PERSONAL EXEMPTIONS

Personal exemptions are the amount you may deduct for yourself, your spouse, and your dependents.

For 2008 and 2009, the personal exemption deductions are \$3,500 and \$3,650, respectively.

High income taxpayers will suffer phase-outs of their exemptions.

2008 and 2009 STANDARD DEDUCTIONS

The standard deduction is the amount you may deduct if you do not itemize your deductions.

	2008 Standard Deduction	2008 + Age 65 or Over or Blind (EACH)	2009 Standard Deduction	2009 + Age 65 or Over or Blind (EACH)
Married Filing Jointly	\$ 10,900	\$ 1,050	\$ 11,400	\$ 1,100
Qualifying Widow(er)				
Single	5,450	1,350	5,700	1,400
Head of Household	8,000	1,350	8,350	1,400
Married Filing Separately	5,450	1,050	5,700	1,100

Note: An additional limited deduction is available for real estate taxes paid.

PENNSYLVANIA INCOME TAXES

PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 3.07% for 2008 and 2009.

PA Corporate Tax

The Corporate Tax rate is 9.99% for 2008. The Capital Stock Tax rate is 2.89 and 1.89 mills for 2008 and 2009, respectively.

SOCIAL SECURITY/SELF-EMPLOYMENT TAX

	Taxable Wages	(%)	Maximum Amount	S.E. (%)	Maximum S.E.
2009	\$ 0 - 106,800	7.65%	\$ 8,170	15.3%	\$16,340
2009	106,801 and above	1.45%	unlimited	2.9%	unlimited

Please note there are three components of Social Security Tax:

1. Social Security Tax	5.60%
2. Disability	.60%
3. Medicare Hospital	1.45%
Paid by Employees & Employers	7.65%*

*The Self-Employment Tax is twice this amount. Also please note that one-half of the self-employment tax is deductible as an adjustment to income.

ESTATE and INHERITANCE TAXES

Pennsylvania Inheritance Tax

Transfers to lineal heirs (such as children, grandchildren, parents and grandparents) are taxed at 4½%. Transfers to siblings are taxed at 12% and all other transfers (except transfers to charity) are taxed at 15%.

Pennsylvania still allows unlimited tax-free transfers to spouses.

Federal Estate and Gift Tax

The federal government allows unlimited transfers to spouses who are American citizens.

The maximum amount from an estate that can be transferred to non-spouses at death without incurring federal estate taxes, will increase according to the following schedule:

2008	\$2,000,000
2009	3,500,000
2010	*Full Repeal
2011	*1,000,000

The gift tax exclusions per donee are \$12,000/year in 2008 and \$13,000/year in 2009.

*Federal estate tax exemption changes are anticipated for 2010 and subsequent years

2008 and 2009 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

Plan Type	2008	2008 Age 50 or Over	2009	2009 Age 50 or Over
Roth IRA	\$ 5,000	\$ 6,000	\$ 5,000	\$ 6,000
IRA	5,000	6,000	5,000	6,000
SEP (Self-Employed)	46,000	46,000	49,000	49,000
SEP (Employee)	46,000	46,000	49,000	49,000
403(b)/Roth 403(b) (Employee)	15,500	20,500	16,500	22,000
401(k)/Roth 401(k) (Employee)	15,500	20,500	16,500	22,000
Self-Employed Profit Sharing/401(k)'s*	46,000	51,000	49,000	54,500
Single Person 401(k) Plan*	46,000	51,000	49,000	54,500
SIMPLE	10,500	13,000	11,500	14,000

*401(k) plan limits include elective deferral contributions.



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In addition to writing the 2nd edition of *Retire Secure!*, Jim has been busy with other projects.

He founded The Roth IRA Institute to become "the advisor to the advisors" and he has launched his own radio show on KQV am1410. The show runs on alternating Wednesday evenings beginning on March 25, 2009 from 7-8 PM with a rebroadcast on Sundays from 9-10 AM.

Listen live at KQV.com and for a listing of guests and topics, please go to www.paytaxeslater.com.

With your best interest in mind,

James Lange
Certified Public Accountant, Attorney at Law

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