

2008 Tax Update

Here are some key facts and figures you should know when speaking with your clients during tax season.

2008 IRA Contribution Limits/Traditional and Roth

Regular \$5,000
Catch-up* \$1,000

*Taxpayers age 50 and over are eligible to make catch-up contributions

AGI phase-out range for contributions to Roth IRAs:

MFJ \$159,000 - \$169,000
Single \$101,000 - \$116,000

Roth conversions: Modified AGI less than \$100,000; cannot be married filing separately

IRA Deduction if not covered by Retirement Plan

Filing Status	Modified AGI	Deduction
Single	Any amount	Full
MFJ (neither spouse is covered)	Any amount	Full
MFJ (spouse is covered)	\$159,000 or less	Full
	\$159,001 - \$169,000	Partial
	\$169,001 or more	No
MFS (married filing separately)	Less than \$10,000	Partial
	\$10,000 or more	No

IRA Deduction if covered by Retirement Plan

Filing Status	Modified AGI	Deduction
HOH (single & head of the Household)	\$53,000 or less	Full
	\$53,001 - \$63,000	Partial
	\$63,001 or more	No
MFJ (married filing jointly)	\$85,000 or less	Full
	\$85,001 - \$105,000	Partial
	\$105,001 or more	No
MFS (married filing separately)	Less than \$10,001	Partial
	\$10,001 or more	No

Maximum qualified long term care insurance premiums eligible for deduction

Age	40 or less	41-50	51-60	61-70	Over 70
2008	\$310	\$580	\$1,150	\$3,080	\$3,850

Qualifying LTC contract per diem limit: \$270

Personal Exemptions	Exemption	AGI	
		Threshold	Upper limit
MFJ (MFS is ½)	\$3,500	\$239,950	\$362,450
Single	\$3,500	\$159,950	\$282,450

Standard Deduction

MFJ	\$10,900
Single (also MFS)	\$5,450
Head of household (HOH)	\$8,000

Social Security

- Maximum annual earnings subject to social security taxes: \$102,000
- Maximum social security tax for 2008: \$6,324
- Social security tax rate: 12.4% self employed, 6.2% employees
- No ceiling for Medicare tax
- Medicare tax rate: 2.9% self employed, 1.45% employees

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Uniform Lifetime Table

Used for calculating required minimum distributions from qualified plans and Traditional IRAs.

Current Age	Distribution Period	Current Age	Distribution Period
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22.0	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12.0	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115	1.9

2008 Capital Gain Rates

Tax Bracket	Short Term Gains (<12 mo)	Long Term Gains (>12 mo)
10% and 15% Tax Brackets	Ordinary Rate	0%
Other Tax Brackets	Ordinary Rate	15%

2008 Qualified Plans

Maximum elective deferral to retirement plans, i.e. 401(k), 403(b)	\$15,500
Maximum elective deferral to Roth 401(k) plan (no income phase out)	\$15,500
Catch-up contribution limit for 401(k), 403(b), 457, & Roth 401(k)	\$5,000
Maximum elective deferral to SIMPLE 401(k) plans	\$10,500
Catch-up contribution limit for SIMPLE plans	\$2,500
Maximum elective deferral to 457 Plans of tax exempt employers	\$15,500
Limits on annual additions to SEP Plans	\$46,000
Annual compensation threshold requiring SEP contribution (limited to 25%)	\$500
Limit on annual additions to defined contribution plans	\$46,000
Maximum annual compensation taken into account for contributions	\$230,000
Annual benefit limit under defined benefit plans	\$185,000
Threshold amount for definition of highly compensated employee	\$105,000
Threshold amount for definition of key employee in top heavy plans	\$150,000

Education Incentives

Coverdell Education Savings Accounts

Contribution Limit: \$2,000 per beneficiary, per year
 AGI Phase outs: MFJ \$190,000 - \$220,000
 Single \$95,000 - \$110,000

Qualified Tuition Programs

Section 529 Plans: Distributions used for qualified higher education expenses are free of federal income tax.

Hope Scholarship Credit

Up to \$1,800 per student for first 2 years of higher education tuition paid.
 AGI Phase outs: MFJ \$96,000 - \$116,000
 Single \$48,000 - \$58,000

Lifetime Learning Credit

Equal to 20% of taxpayers' first \$10,000 of out-of-pocket qualified tuition and related expenses.

Student Loan Interest Deduction

Maximum deduction: \$2,500
 AGI Phase outs: MFJ \$115,000 - \$145,000
 Single \$55,000 - \$70,000

Kiddie Tax

Children under age 14 and full-time students under 24 with unearned income of:

First	\$900	No tax
Next	\$900	10% tax
Amounts over	\$1,800	Parents' tax rate

Health Savings Account

	Regular	Catch-up*
Single	\$2,900	\$900
Family	\$5,800	\$900

*For taxpayers age 55 and over

2008 Rate Schedules

Single filing

(Tax Rate Schedule X)
 10% on income between \$0 and \$8,025
 15% on the income between \$8,025 and \$32,550; plus \$802.50
 25% on the income between \$32,550 and \$78,850; plus \$4,481.25
 28% on the income between \$78,850 and \$164,550; plus \$16,056.25
 33% on the income between \$164,550 and \$357,700; plus \$40,052.25
 35% on the income over \$357,700; plus \$103,791.75

Married filing jointly or qualifying widow(er) filing status

(Tax Rate Schedule Y-1)
 10% on income between \$0 and \$16,050
 15% on the income between \$16,050 and \$65,100; plus \$1,605.00
 25% on the income between \$65,100 and \$131,450; plus \$8,962.50
 28% on the income between \$131,450 and \$200,300; plus \$25,550.00
 33% on the income between \$200,300 and \$357,700; plus \$44,828.00
 35% on the income over \$357,700; plus \$96,770.00

Married filing separately filing status

(Tax Rate Schedule Y-2)
 10% on income between \$0 and \$8,025
 15% on the income between \$8,025 and \$32,550; plus \$802.50
 25% on the income between \$32,550 and \$65,725; plus \$4,481.25
 28% on the income between \$65,725 and \$100,150; plus \$12,775.00
 33% on the income between \$100,150 and \$178,850; plus \$22,414.00
 35% on the income over \$178,850; plus \$48,385.00

Head of household filing status

(Tax Rate Schedule Z)
 10% on income between \$0 and \$16,050
 15% on the income between \$16,050 and \$43,650; plus \$1,145.00
 25% on the income between \$43,650 and \$112,650; plus \$5,975.00
 28% on the income between \$112,650 and \$182,400; plus \$23,225.00
 33% on the income between \$182,400 and \$357,700; plus \$42,755.00
 35% on the income over \$357,700; plus \$100,604.00

2008 Taxable Estate

Taxable Estate	Tax
Not over \$10,000	18%
Over \$10,000 but not over \$20,000	\$1,800 + 20% of the amount over \$10,000
Over \$20,000 but not over \$40,000	\$3,800 + 22% of the amount over \$20,000
Over \$40,000 but not over \$60,000	\$8,200 + 24% of the amount over \$40,000
Over \$60,000 but not over \$80,000	\$13,000 + 26% of the amount over \$60,000
Over \$80,000 but not over \$100,000	\$18,200 + 28% of the amount over \$80,000
Over \$100,000 but not over \$150,000	\$23,800 + 30% of the amount over \$100,000
Over \$150,000 but not over \$250,000	\$38,800 + 32% of the amount over \$150,000
Over \$250,000 but not over \$500,000	\$70,800 + 34% of the amount over \$250,000
Over \$500,000 but not over \$750,000	\$155,800 + 37% of the amount over \$500,000
Over \$750,000 but not over \$1,000,000	\$248,300 + 39% of the amount over \$750,000
Over \$1,000,000 but not over \$1,250,000	\$345,800 + 41% of the amount over \$1,000,000
Over \$1,250,000 but not over \$1,500,000	\$448,300 + 43% of the amount over \$1,250,000
Over \$1,500,000	\$558,800 + 45% of the amount over \$1,500,000

Subtract the applicable credit below from calculated tax

2008	Exclusion Amount	Applicable Credit
Estate gift	\$2,000,000	\$780,800
Gift tax	\$1,000,000	\$345,800

Annual gift tax exclusion: \$12,000 (individual), \$24,000 (married) (2007)

GST exemption: \$2,000,000 (2007)

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