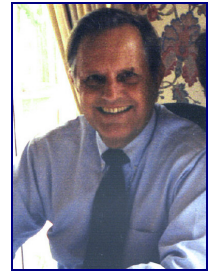


from *Chuck's Desk*

Affordable Business Services Inc.

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If you enjoy reading my newsletter, the highest form of compliment I can receive is a referral to your friends, family and business associates.

Chuck Donovan

Obama's Tax Plans

The election has finally ended. During the campaign both candidates were proposing tax plans, each proposal different and constantly changing, as Obama and McCain campaigned closer and closer to November 4.

Now that the Democrats have won and will be in firm control of the White House and Congress in the coming years, **let's review Barack Obama's tax plan. It will give an indication of what we may see taking place in 2009.**

Poor and Middle Class Will Pay Less

Under his plan the rich will pay more and the poor and middle-class less. Taxes would not increase for people earning under \$250,000.00.

For those making more than \$250,000.00 their top income tax rate of 35% will raise to 39% and their capital gains tax rate, currently 15%, to either 20% or 28%. It is estimated that people earning above \$250,000.00 accounted for only 2.5 million of the over 100 million tax returns filed.



Seniors who earn less than \$50,000 would pay no income tax under his plan. Everyone earning less than \$250,000.00 would get a \$500.00 tax credit per worker and a \$4,000.00 credit per child in college.

No Social Security Increase

Initially Obama said he would tax all income to fund Social Security, but this contradicted his proposal not to increase taxes for people earning less the \$250,000.00. So he backed off on it settling on **no Social Security tax on incomes between \$102,000.00 and \$250,000.00**, while taxing all income above the \$250,000.00 for Social Security.

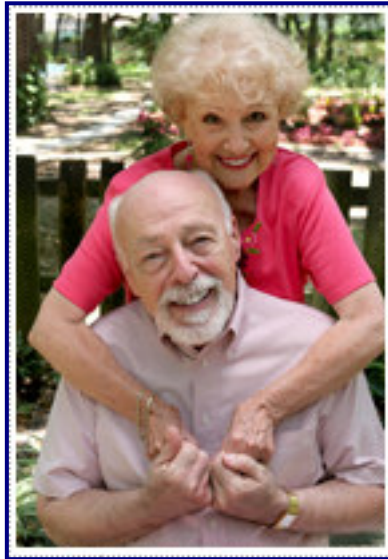
Obama indicated **he will make permanent most of the tax cuts President Bush has already enacted but only those that benefit the middle class**, such as the elimination of the marriage penalty and the increase in child credits. He would not support extending the tax cuts to the wealthy. **He would set the estate tax at 45%** for estates above \$3.5 million. He also favors extending the patch keeping the Alternative Minimum Tax from affecting the middle class.

Congress Needs to Pass The Proposals

Some or all of his proposals may not get through Congress. Congress may not pass any or may subject them to substantial changes when they enact upon the provisions. Obama's tax plan does, however, give us an indication of what may be on the horizon this year.

2009 Required Minimum Distribution Waived

Tax law requires that seniors with retirement accounts must make a **mandatory withdrawal from the accounts annually after the age of 70-1/2**. The withdrawal is called a **Required Minimum Distribution or RMD**. A senior who fails to take this distribution is subject to a 50% excise tax based on the amount the senior should have taken out.



Congress has been concerned about the losses seniors have suffered in the value of their retirement accounts during 2008 as the stock market dropped. They **passed the "Worker, Retiree and Employer Recovery Act" in early December**. The President signed the bill on December 23rd and it became law on the 24th.

Only For 2009

The **"Worker, Retiree and Employer Recovery Act"** suspends the mandatory requirement to take a distribution from a retirement account in 2009, but only for 2009. The postponement pertains to all defined-contribution plans and IRA accounts. By doing so the 50% excise tax penalty is also waived.

The Act is intended to provide financial relief to seniors by letting them hold on to their money and safeguard their retirement saving during the current economic crisis. The hope is that it will allow them to recover some of the losses experienced as the stock market plummeted in 2008.

Affordable Business Services provides a complete range of tax, accounting, and consulting services to individuals and businesses at affordable fees.

Chuck Donovan started the firm in 1993 with a single principle in mind – to provide quality financial services that meet and suit his clients' needs. He has built a successful operation by combining personal attention and expertise with quick, accurate, friendly service.

The company's growth has been fueled by referrals from existing clients and peers. The hallmark of Affordable Business Services remains the individualized service that addresses clients' unique requirements small or large.

Chuck is a graduate of Dartmouth College and has a MBA in Accounting and Finance from American International College.

2009 Tax Adjustments

By law a number of tax provisions must be revised each year to keep pace with inflation. The revisions are made in such areas as personal exemptions, standard deductions, tax brackets, and retirement savings.

Recently the Internal Revenue announced the 2009 adjustments covering about three dozen items and almost everyone will benefit from the changes.

Key changes affecting the 2009 returns include:

- The **personal exemption** deduction will rise to \$3,650.00, an increase of \$150.00.
- The **standard deduction** is up \$500.00 to \$11,400.00 for **married couples** filing a joint return.
- The **standard deduction** for a **single person** goes up \$250.00 to \$5,700.00.
- The **standard deduction** for **heads of household** is \$8,350.00, an increase of \$350.00.
- The annual **gift exclusion** is \$1,000.00 higher and will be \$13,000.00.
- The top **Hope Credit** for the first two years of



college education is \$1,800.00, up from \$1,650.00.

Tax-brackets have been widened because of the inflation adjustments. The new brackets are single people will be:

2009 Single Taxpayers Brackets

<u>Tax Rate</u>	<u>Range</u>	<u>Increase Over 2008</u>
10%	\$0 - \$8,350	\$325
15%	\$8,351 - \$33,950	\$1,400
25%	\$33,951 - \$82,250	\$3,400
28%	\$82,251 - \$171,550	\$7,000
33%	\$171,551 - \$372,950	\$15,250
35%	Over \$372,950	\$15,250

Corresponding changes were made in the brackets for married people filing jointly.

2009 Married Taxpayers Brackets

<u>Tax Rate</u>	<u>Range</u>	<u>Increase Over 2008</u>
10%	\$0 - \$16,700	\$650
15%	\$16,701 - \$67,900	\$2,800
25%	\$67,901 - \$137,050	\$5,600
28%	\$137,051 - \$208,850	\$8,550
33%	\$208,851 - \$372,950	\$15,250
35%	Over \$372,950	\$15,250

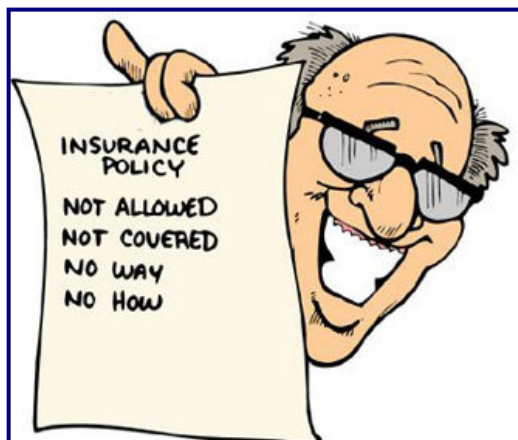
You can now find back issues of *“from Chuck’s Desk”* on our web site www.affordabl.com

Click on the Newsletters tab for the issues of the newsletter from 2002.

Time to Review Your Health Insurance

Recently a neighbor Keats Soder mentioned how little most people understand about health insurances and how frequently they enter into the wrong insurance coverage for themselves due to this lack of understanding. He pointed out just a couple of areas where this exists.

Regulated Health Insurance Companies



There are **only four regulated health insurance companies in Florida** - Aetna, Blue Cross & Blue Shield, Humana, and Avalon.

All other companies must reveal on the front page of their policies that they can raise their rates at any time for each individual. Typically these companies raise their rates each time a claim is made and often increase them to excessive levels for someone with a catastrophic illness.

Group versus Individual Health Insurance

He said **there is a common belief that group health insurance coverage is a better value than individual health insurance coverage.**

This may not be the case for healthy individuals. Healthy people pay more under a group insurance program to offset the extra costs incurred by others within the group with high medical expenses.

Besides he stated **group health insurance is considered temporary insurance** since it is available only as long as a person is a member of the group. If the person changes jobs, has a serious illness, dies, is laid off, or the company goes out of business, the coverage is no longer available.

Health Savings Accounts

The government has passed laws that allow an individual who has a qualified health insurance plan to deduct up to \$3,000.00 in 2009 if it is deposited in a health savings account. A family plan allows twice as much or \$5,950.00 to be deposited into it next year.

A health savings account can be used for a wide range of medical costs such as bandages, vitamins, or doctor visits. Any unused amounts roll over to the following year and any interest or investment income accumulates tax free.

However, **a person must have a qualified health insurance plan,** a compatible plan, **to set up a health savings account.** Such a plan is generally very reasonable in cost due to higher deductibles and no copayments.

A Review of Your Health Insurances

He mentioned people should have their health insurance coverages looked at periodically.

He told me he has been doing these professional reviews of health insurances for people locally for some time and said **anyone who may be interested** in a review **can reach him by telephone at (954) 478-4000 or e-mail at Keats@mail.com.**

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