

STEFFEN GROUP

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Help for the Mortgage Crisis?

The **American Housing Rescue and Foreclosure Prevention Act of 2008** gives away a lot of money, but will it help you?

Maybe... but probably not.

Look at these benefits and see what you think:

a. New Refundable Tax Credit for First-Time Homebuyers:

This is really an **interest-free loan** of up to \$7,500.00 for first-time home buyers who purchase residences between April 9, 2008 and July 1, 2009. Since this functions as a loan, taxpayers would have to pay the "credit" back to the government in equal installment payments over 15 years. There's a beginning phase-out level of \$75,000 for single taxpayers and \$150,000 for taxpayers filing joint returns. The credit must be claimed on a 2008 or 2009 tax return.

b. Limited Property Tax Deduction for Non-Itemizers for 2008:

Makes tax relief available to homeowners who have paid off their mortgage in full, but still must pay local and state property taxes. Since these taxpayers generally no longer itemize on Schedule A, this change increases the standard deduction for non-itemizers by the **lesser** of the amount of real property taxes paid during the year or \$500 for a single taxpayer/\$1000 for a married couple. Most Marion County

property owners pay more than \$1,000 in tax.

c. For Military Personnel under the Servicemembers Civil Relief Act Provision:

Mortgage lenders must reduce the interest rate of home loans granted to active duty military personnel to no more than six percent.

But, to pay for these benefits, tax payers who used their primary residence as a vacation home or rental property and sell this property after December 31, 2008 may **no longer be able to take full advantage** of the \$250,000 exclusion for single taxpayers/\$500,000 exclusion for married filing jointly on the gain from the sale of their personal residence.

The taxpayer will only be able to utilize this exclusion to the extent that it relates to the period of time when the home was used as a principal residence. The exclusion of the gain will be pro-rated. The gain attributable to the period of time the house was **not** used as the primary residence **cannot be excluded**. This will apply to nonqualified usage after January 1, 2009.

This probably seems fair to most people, unless you were planning to use the existing laws, in place since 1995.



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Who bears the tax burden in the U.S.?

"Raise taxes on the wealthiest among us, and we'll raise revenue and be rolling in surplus cash."

Right? NOT, according to accountingWEB.com

We've heard a story about bazillionaires who pick their teeth with hundred dollar bills and never pay a red cent in taxes. But setting anecdotes and politics aside, a quick look at the facts will tell you, the notion that the U.S. can tax its way to prosperity is all wrong. Besides - YOU may be one of those rich people.

Now that the 2006 IRS figures are out, we know that almost all taxes that were collected were paid by people labeled as "the rich." Thanks to President Bush's 2003 tax cuts, total tax payments by the rich have never been higher... and not because of inflation.

Here's how the figures break down.

The **top 1 percent** of taxpayers (those with incomes of at least \$388,806) earn 22 percent of all U.S. income, but pay 40 percent of the total tax.

The **top 5 percent** of taxpayers (with income of at least \$153,542) earn 37 percent of all U.S. income, but pay 60 percent of all tax.

The **top 10 percent** of taxpayers (those with incomes of at least \$108,904) earn 47 percent of all U.S. income, but pay 71 percent of the total tax.

The **top 50 percent** of taxpayers (those with incomes of at least \$31,987) earn 87 percent of all U.S. income, but pay 97.1 percent of the total tax.

The **lower 50 percent** of earners in the U.S. (those making below \$31,987) earn less than 13 percent of all U.S. income, but collectively pay only 2.9 percent of the total tax. Because of refundable credits like the Earned Income Credit, many pay nothing yet get refunds. In 2006, taxpayers who earned less than \$32,001 and had at least one child or those who did not have children, earned less than \$12,120 and met other criteria were eligible for the EIC. The IRS reports that in 2006, \$43.7 billion was paid out in Earned Income Credits.

According to the Treasury Department, the number of millionaires in the U.S. nearly doubled between 2003 and 2006, from 181,000 to 354,000. Part of the reason for that increase is that favorable capital gains rates encouraged Americans to invest more, and corporations that pay lower tax rates are more able to pay dividends. But also, history shows that when taxpayers feel tax rates are fair, they are less likely to invest in tax shelters or to simply hide income, and more likely to report what they actually earned. Presidents Calvin Coolidge, John Kennedy and Ronald Reagan knew and proved that theory.

President Kennedy said,

"It is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise revenues in the long run is to cut rates now."

Under Kennedy's administration, the top tax rate was cut from a high of over 90 percent to 70 percent causing many naysayers to swoon. The result? Tax revenues climbed from \$94 billion in 1961 to \$153 billion in 1968, an increase of 62 percent. During this time, the rich saw their share of taxes **increase** from 11.6 percent to 15.1 percent. Under Ronald Reagan, tax revenues in the 80s climbed 99.4 percent. For the top 1 percent of taxpayers, their share of total tax **rose** from 17.6 percent in 1981 to 27.5 % in 1988.

In 2003, millionaire households paid \$136 billion in taxes, or 19 percent of all taxes. Then tax rates were cut, and naysayers including those in the Congressional Budget Office and the Tax Policy Center woefully predicted that a trillion dollars in lost revenue would result. Instead, in 2006, millionaire households paid \$274 billion in taxes, about 40 percent of all taxes. In the same period, the deficit as a percentage of GDP fell from 3.5 percent in 2003 to 1.9 % in 2006.

The same naysayers that wrongly predicted a trillion dollar loss didn't learn from their error. Now they predict that if the Bush tax cuts are repealed, the federal coffers will rake in a cool extra trillion.

Time will tell, but if history is an indicator, the naysayers will not be laughing all the way to the bank, but the ones who qualify as "rich," that is, with incomes of at least \$108,904, will be hocking their jewels to pay their own tax bills, if they aren't too busy hunting for tax shelters.

U.S. Corporate Tax Rate 50% Higher Than Economic Competitors

Have you wondered why so many companies are moving their business to foreign countries? A new report by the Tax Foundation gives at least part of the reason.

OECD Study Shows 17th Consecutive Year of Corporate Tax Declining in Non-U.S. Countries While America Stands Still, now Second-Highest

August 13th / PRNewswire - USNewswire /

Washington - Tax Foundation President Scott Hodge this morning released the latest Tax Foundation "Fiscal Fact" in response to a new study from the Organization for Economic Co-Operation and Development (OECD).

The OECD study shows that for the 17th consecutive year, the average rate of corporate taxes in non-U.S. countries fell while the U.S. corporate tax rate stayed the same.

As a result of the U.S. failure to lower its corporate tax rate for more than two decades while other major trading nations lowered theirs, the U.S. corporate tax rate is now 50% higher than the OECD average. Nine key trading partners cut their rates during 2007.

"Continued failure by U.S. tax policymakers to keep up with our top global economic competitors means that we're solidifying a trend that will result in our children and grandchildren not seeing the economic growth we've seen in our life-

times," noted Hodge. "There's a real-wallet impact for Americans as we continue to sit idly by while other countries improve the way they do business, and we should be very concerned about jobs, capital, and investments moving from high-tax countries to low-tax countries."

This comes on the heels of another recent OECD study showing that corporate taxes are the single most harmful tax to GDP growth, more so than personal income taxes or consumption taxes.

The combined federal and state corporate tax rate in the U.S. currently stands at 39.3% (the second-highest among industrialized countries), while the OECD average rate has fallen to 26.6%. Even China has recognized the significance of cutting the corporate tax to become more competitive, reducing their top standard corporate tax rate from 33% to 25% just this year.

Scott Hodge is president of the Tax Foundation, a nonpartisan, nonprofit organization that has monitored fiscal policy at the federal, state and local levels since 1937. He leads the foundation's new CompeteUSA campaign for business tax reform along with Robert Carroll, Ph.D., Vice President of Economic Policy at the foundation and recently Deputy Assistant Secretary for Tax Analysis at the Treasury Department.

We need to be competitive in the USA, and the current laws are not.

The new Tax Foundation study can be found at:
www.taxfoundation.org/publications/show/23470.html
 +1-202-464-5101

Know a Good, Young Accountant?

I've been searching but **Hiring and Retaining Skilled Accounting and Finance Workers Remains a Problem.** According to the recent reports employers looking to find talented workers in the accounting and finance fields are suffering worldwide. 56% of the finance and human resources managers surveyed around the globe reported difficulty finding skilled job candidates. In addition, 58% of respondents worldwide and 73% of U.S. respondents expressed concern about losing their top performers to other job opportunities, up from 43% and 46%, respectively, in 2007. So where does that leave small firms in small towns?

We are looking for just the right person; with the right attitude, skills and perspective for the future.



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ACCOUNTING • TECHNOLOGY • DESIGN

Wisdom to live by:

"Don't store up treasures here on earth, where they can be eaten by moths and get rusty, and where thieves break in and steal.

Store your treasures in heaven, where they will never become moth-eaten or rusty and where they will be safe from thieves. Wherever your treasure is, there your heart and thoughts will also be."

Matthew 6:19-21

A useful tool for retirement planning!

The Social Security Administration unveiled a new online calculator to help people plan for their retirement. The Retirement Estimator at www.socialsecurity.gov/estimator is tied to a person's actual Social Security earnings record and eliminates the need to manually key in years of earnings information.

It is **interactive**: showing results as you go, letting users compare different retirement options, and adjusting your expected future earnings according to the retirement dates you select. Users can print out up to three different scenarios at one time, in addition to information about their benefits at age 62 (or their current age if they're older), full retirement age and age 70.

This Retirement Estimator greatly improves the information available when trying to decide the right time to retire. The online calculator is also designed to be **secure**. It only provides retirement benefit estimates, but does not show the earnings record information on which the final benefit estimate was calculated, nor does it reveal other personal information.