

IT'S ELECTION SEASON: POINTS TO PONDER REGARDING INCOME TAXES AND CAPITAL GAIN TAXES

Did You Know?

- The top 1 percent of American taxpayers pay 40 percent of all income taxes.
- The top 10 percent of taxpayers pay 71 percent of all income taxes.
- The next 30 percent pay 29 percent of all income taxes.
- The bottom 60 percent pay 1 percent of all income taxes.

Shoring up the ailing housing market, stimulating the economy and modifying tax rates are all significant economic issues on the minds of many investors. Although there are certainly differing viewpoints about whether or not the recent tax rate reductions have been fiscally responsible, let us briefly look at the differences between how the two Presidential candidates are proposing to address future tax policies.

SENATOR OBAMA'S TAX PLAN

Senator Obama's plan is to increase taxes on America's top earning taxpayers. Under his proposals, among other tax increases, he wants to increase the top individual income tax rate to 39.6 percent and increase the next highest rate to 36 percent. Closer to home for real estate investors, Senator Obama would like to have capital gain tax rates at least 20 percent or higher.

SENATOR MCCAIN'S TAX PLAN

Senator McCain does not want to increase income tax rates and he proposes phasing out the Alternative Minimum Tax. He would like to see the 2003 temporary capital gain rate reduction of 15 percent made permanent.

PAY ZERO CAPITAL GAIN TAXES

Regardless of which Presidential candidate wins the election and which tax policy is advocated for future years, real estate investors who choose to perform a §1031 tax deferred exchange have the ability to utilize the most preferable tax strategy possible: zero taxation. This strategy has been a vital aspect of the Internal Revenue Code since 1921 and has helped investors improve their rate of return by acquiring better performing investment properties. All real estate investors should seriously explore taking advantage of this powerful tax strategy to bolster investment returns – and lower overall taxes paid.