

November 11, 2008

**ALERT: 2009 tax law changes call for planning now
to capture tax advantages before year-end**

A number of tax benefits are set to expire in 2009 and 2010, but they are still available for taxpayers to take advantage of now. **If you have not already scheduled a planning session with your AGH tax advisor, we encourage you to do so ASAP so that we can review any potential tax-saving strategies requiring action before year-end.** Here's a quick review:

Estimated taxes:

- Economic conditions and market volatility have lowered business and investment income for many this year. If your taxable income has dropped, you may want to review your 2008 tax position to see whether your fourth-quarter estimated tax payments should also be lower to reflect income reductions.

Capital gains:

- If you realized capital losses in 2008, those losses can offset capital gains plus \$3,000 of ordinary income. In other words, you can only deduct a net \$3,000 of capital losses after you have offset your capital gains. Remaining losses are carried forward to future years.
- The current 15% maximum rate on long-term capital gains is set to expire at the end of 2010 and will revert back to 20% at that time. Changes in the White House and Congress could affect both the rate and the timing of any change in the rate.
- Consider accelerating income into 2008 to ensure that it is taxed at the current rate.
- If you have sustained capital losses this year, you may want to consider selling stocks which have unrealized gains to offset some of your losses.

Ordinary income:

- The current 35% maximum rate on ordinary income is set to increase to 39.6% for 2011. Changes in the White House and Congress could affect both the rate and the timing of any change in the rate.
- Consider accelerating income into 2008 to ensure that it is taxed at the current rate.

Alternative Minimum Tax (AMT) patch:

- Despite anticipation of potentially beneficial changes in the alternative minimum tax which might significantly reduce its impact, those changes have not come to pass, so the calculation of this tax remains largely unchanged.
- The maximum AMT exemption did increase by \$3,700 for married taxpayers filing jointly and \$1,850 for unmarried individuals and married taxpayers filing separately.

- After 2008, the maximum AMT exemption amount will drop to the 2000 level, unless Congress provides another fix – which has occurred annually for several years. Without such a fix, the number of people as well as the amount of AMT paid by those individuals could rise very significantly. Consequently, taxpayers who have been in AMT in the past should consider tax planning in light of possible changes in this tax.

Charitable contribution opportunity:

- The Emergency Economic Stabilization Act of 2008 reinstates (through 2009) an annual exclusion of up to \$100,000 in gross income for taxpayers 70½ years or older who make direct transfers of otherwise taxable individual retirement account (IRA) distributions to qualified charitable organizations.

For further suggestions, please refer to the 2008-2009 Tax Planning Guide that we mailed to you earlier this year, or contact your AGH tax professional at (316) 267-7231.

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