

Wow. The elections are finally over. Didn't it seem like it was going on forever? It was too ugly for my taste. With that said, now I will explain what the big broo ha ha is about with the Bush Extenders we keep hearing about. I didn't want to do this before the election; I didn't want it to sound political.

If you can remember WAYYYYYY back, we got a stimulus check for about \$600 right after 9/11. This was to boost the economy. Remember? We all went out and got our flat screen TV's? Or we paid some bills? What started then, if you remember, the withholdings got smaller. Some of us owed that year, and some of our refunds were smaller.

I spent the tax season adjusting almost all of my client's W-4's accordingly. Then they did it to us again in the Summer or Fall. All of the planning went out of the window. Anyway, they kept on doing that since 9/11. It wiped out the 15% starting tax bracket. We started in the 10%. Capital gains rates went down, as did the tax on dividends and the marriage penalty. Child Tax Credit went up.

Guess what? All of this is going to go away if the extenders aren't signed. The elections came in and Congress have time to finish this up. Here is a table of what is going to happen. Then I will suggest what you need to do.

<b>2010 Tax Levels</b>	<b>2011 Tax Levels</b>
Individual: 10%, 15%, 25%, 28%, 33%, 35%	15%, 28%, 31%, 36% 39.6%
Capital Gains: 0% and 15%	10% and 20%
Dividend Tax Rates: 5% and 15%	Ordinary income rates
Child Tax Credit: \$1,000.00	\$500.00
Child Care Credit: up to \$3,000 per child	up to \$2,400.00 per child

Those of us who have children and loved them a little more at tax time will be losing a dollar for dollar off of our taxes for each child up to \$500.00. That's the first real big OUCH!

Second, we are no longer withholding enough in our paychecks. The refunds will be smaller and amounts due will be larger.

We are going to need to increase our withholdings. We need to add about \$500.00 per child and then between 5% to 15% for each pay period.

Easy to understand everyday terms? We will have less money in our checks and our tax bill at the end of the year will go up.

The start of the changes will be January 1, 2011. I understand that this sounds far away, but I promise, it's not. This will go quickly and then you will be burned badly in a year. The warning that I do have is simple. Pay attention. Listen and read. I am by no means political in nature. I just hope and pray it all turns out alright, just like the majority of us. There are debates going on now with Congress. This all might turn out ok with the Bush Extenders getting signed in again. Mr. Obama might be able to pass his idea of the tax bracket, which actually is a good blend of the Bush cuts and real life.

Talk to your tax professional to see what is best for your personal situation.

If you have any questions, please feel free to contact me at [kristhetaxlady@gmail.com](mailto:kristhetaxlady@gmail.com)

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