



Jim Lange's 2007-2008 Tax Planning Card

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HOW to COMPUTE YOUR FEDERAL INCOME TAX

Example: For a married couple in 2007 with taxable income of \$70,000, refer to the *MARRIED FILING JOINTLY* section of the 2007 chart listed below. See \$63,701 - 128,500 and calculate as follows:

$$\$70,000 \times 25\% = \$17,500 - \$7,153 = \$10,347$$

CALCULATION of TAXABLE INCOME

To determine taxable income, please follow these steps:

1. List your total income. (*U.S. Form 1040, Line 22*)
2. Subtract adjustments to income, which include allowable IRA/SEP/Keogh deductions, alimony paid and one-half of self-employment tax. (*Line 36*)
3. You now have your adjusted gross income, AGI. (*Line 37*)
4. Subtract the larger of the standard deduction or your itemized deductions. (*Line 40*)
5. Subtract your deduction for personal exemptions. (*Line 42*)
6. Arrive at taxable income. (*Line 43*)
7. Insert taxable income into the appropriate table below.
8. Make adjustments for dividends and capital gains.

2007 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 15,650	x 10%	- \$ 0	= Tax
15,651 - 63,700	x 15%	- 783	= Tax
63,701 - 128,500	x 25%	- 7,153	= Tax
128,501 - 195,850	x 28%	- 11,008	= Tax
195,851 - 349,700	x 33%	- 20,800	= Tax
349,701 and above	x 35%	- 27,794	= Tax

SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 7,825	x 10%	- \$ 0	= Tax
7,826 - 31,850	x 15%	- 391	= Tax
31,851 - 77,100	x 25%	- 3,576	= Tax
77,101 - 160,850	x 28%	- 5,889	= Tax
160,851 - 349,700	x 33%	- 13,932	= Tax
349,701 and above	x 35%	- 20,926	= Tax

HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 11,200	x 10%	- \$ 0	= Tax
11,201 - 42,650	x 15%	- 560	= Tax
42,651 - 110,100	x 25%	- 4,825	= Tax
110,101 - 178,350	x 28%	- 8,128	= Tax
178,351 - 349,700	x 33%	- 17,046	= Tax
349,701 and above	x 35%	- 24,040	= Tax

MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 7,825	x 10%	- \$ 0	= Tax
7,826 - 31,850	x 15%	- 391	= Tax
31,851 - 64,250	x 25%	- 3,576	= Tax
64,251 - 97,925	x 28%	- 5,504	= Tax
97,926 - 174,850	x 33%	- 10,400	= Tax
174,851 and above	x 35%	- 13,897	= Tax

2008 QUICK CALC

MARRIED FILING JOINTLY or QUALIFYING WIDOW(ER)

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 16,050	x 10%	- \$ 0	= Tax
16,051 - 65,100	x 15%	- 803	= Tax
65,101 - 131,450	x 25%	- 7,313	= Tax
131,451 - 200,300	x 28%	- 11,257	= Tax
200,301 - 357,700	x 33%	- 21,272	= Tax
357,701 and above	x 35%	- 28,426	= Tax

SINGLE

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 8,025	x 10%	- \$ 0	= Tax
8,026 - 32,550	x 15%	- 401	= Tax
32,551 - 78,850	x 25%	- 3,656	= Tax
78,851 - 164,550	x 28%	- 6,022	= Tax
164,551 - 357,700	x 33%	- 14,250	= Tax
357,701 and above	x 35%	- 21,404	= Tax

HEAD of HOUSEHOLD

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 11,450	x 10%	- \$ 0	= Tax
11,451 - 43,650	x 15%	- 573	= Tax
43,651 - 112,650	x 25%	- 4,938	= Tax
112,651 - 182,400	x 28%	- 8,318	= Tax
182,401 - 357,700	x 33%	- 17,438	= Tax
357,701 and above	x 35%	- 24,592	= Tax

MARRIED FILING SEPARATELY

Taxable Income (\$)	x%	Less (\$)	= Tax
\$ 0 - 8,025	x 10%	- \$ 0	= Tax
8,026 - 32,550	x 15%	- 401	= Tax
32,551 - 65,725	x 25%	- 3,656	= Tax
65,726 - 100,150	x 28%	- 5,628	= Tax
100,151 - 178,850	x 33%	- 10,636	= Tax
178,851 and above	x 35%	- 14,213	= Tax

Net long-term capital gains will reduce computed Quick Calc tax liability, while the alternative minimum tax will increase it.

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PERSONAL EXEMPTIONS

Personal exemptions are the amount you may deduct for yourself, your spouse, and your dependents.

For 2007 and 2008, the personal exemption deductions are \$3,400 and \$3,500, respectively.

High income taxpayers will suffer phase-outs of their exemptions and dependents.

2007 and 2008 STANDARD DEDUCTIONS

The standard deduction is the amount you may deduct if you do not itemize your deductions.

	2007 Standard Deduction	2007 + Age 65 or Over or Blind (EACH)	2008 Standard Deduction	2008 + Age 65 or Over or Blind (EACH)
Married Filing Jointly	\$ 10,700	\$ 1,050	\$ 10,900	\$ 1,050
Qualifying Widow(er)				
Single	5,350	1,300	5,450	1,350
Head of Household	7,850	1,300	8,000	1,350
Married Filing Separately	5,350	1,050	5,450	1,050

PENNSYLVANIA INCOME TAXES

PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 3.07% for 2007 and 2008.

PA Corporate Tax

The Corporate Tax rate is 9.99% for 2007. The Capital Stock Tax rate is 3.89 and 2.89 mills for 2007 and 2008, respectively.

SOCIAL SECURITY/SELF-EMPLOYMENT TAX

	Taxable Wages	(%)	Maximum Amount	S.E. (%)	Maximum S.E.
2008	\$ 0 - 102,000	7.65%	\$ 7,803	15.3%	\$15,606
2008	102,001 and above	1.45%	unlimited	2.9%	unlimited

Please note there are three components of Social Security Tax:

1. Social Security Tax	5.60%
2. Disability	.60%
3. Medicare Hospital	1.45%
Paid by Employees & Employers	7.65%*

*The Self-Employment Tax is twice this amount. Also please note that one-half of the self-employment tax is deductible as an adjustment to income.

ESTATE and INHERITANCE TAXES

Pennsylvania Inheritance Tax

Transfers to lineal heirs (such as children, grandchildren, parents and grandparents) are taxed at 4½%. Transfers to siblings are taxed at 12% and all other transfers (except transfers to charity) are taxed at 15%.

Pennsylvania still allows tax-free transfers to spouses during life and at death.

Federal Estate and Gift Tax

The federal government allows unlimited marital deduction for surviving spouses who are American citizens.

The amount from an estate that can be transferred at death without incurring federal estate taxes, will increase according to the following schedule:

2007	2,000,000
2008	2,000,000
2009	3,500,000
2010	*See Below
2011	1,000,000

The gift tax exclusions per donee are \$12,000/year in 2007 and 2008.

* Full repeal of estate tax; gift tax at top income tax rate

2007 and 2008 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

Plan Type	2007	2007 Age 50 or Over	2008	2008 Age 50 or Over
Roth IRA	\$ 4,000	\$ 5,000	\$ 5,000	\$ 6,000
IRA	\$ 4,000	\$ 5,000	\$ 5,000	\$ 6,000
SEP (Self-Employed)	45,000	45,000	46,000	46,000
SEP (Employee)	45,000	45,000	46,000	46,000
403(b)/Roth 403(b)* (Employee)	15,500	20,500	15,500	20,500
Self-Employed Profit Sharing (Keogh)	45,000	45,000	46,000	46,000
Self-Employed Money Purchase (Keogh)	45,000	45,000	46,000	46,000
401(k)/Roth 401(k)* (Employee & Self-Employed)	15,500	20,500	15,500	20,500
SIMPLE	10,500	13,000	10,500	13,000

*Roth 403(b)/401(k) was effective January 1, 2006 if adopted by employer.



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James Lange provides the following services:

- Retirement and estate planning
- Financial and investment services
- Traditional accounting and tax return preparation
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Jim is the author of *Retire Secure! Pay Taxes Later* (Wiley 2006) an Amazon bestseller in retirement and tax planning. Larry King calls the book "One of the best books about saving taxes I've ever read." Charles Schwab refers to it as "A road map for tax efficient retirement and estate planning." Please visit retiresecure.com for additional information.

With your best interest in mind,

James Lange
Certified Public Accountant, Attorney at Law

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