



0%

CAPITAL GAINS RATE
LARRY L GRAY, CPA

- WHEN DOES ZERO CAPITAL GAINS RATE APPLY?
- HOW DOES ORDINARY INCOME AFFECT ZERO CAPITAL GAINS RATE?
- HOW TO PLAN ZERO CAPITAL GAINS RATE WITH AN INSTALLMENT SALE?

- **2008 – 2009 – 2010**
 - If 15% TAX BRACKET OR LOWER YOU QUALIFY FOR 0% CAPITAL GAINS
- **INCOME TAXED @ 0% DEPENDS ON THE FOLLOWING**
 - FILING STATUS
 - TAXABLE INCOME
 - TOTAL INCOME FROM LTCG & QUALIFIED DIVIDENDS

DEFINITION

- WHAT IS LONG TERM CAPITAL GAINS
 - THE SALE OR EXCHANGE OF A CAPITAL ASSET FOR A PROFIT

- WHAT DOES THE 0% RATE APPLY TO:
 - LONG TERM CAPITAL GAINS
 - QUALIFIED DIVIDEND INCOME



ADJUSTED NET CAPITAL GAINS “ANCG”

- DEFINITION
 - NET LONG TERM CAPITAL GAINS
 - MINUS (-)
 - NET SHORT TERM CAPITAL LOSSES
 - PLUS (+)
 - QUALIFIED DIVIDENDS



ANCG – EXCLUSIONS

- CORPORATIONS
- SALE OF COLLECTIBLES
- QUALIFIED SMALL BUSINESS STOCK
- 1250 DEPRECIABLE REAL PROPERTY
(UNRECAPTURE)
- 1245 DEPRECIABLE PERSONAL PROPERTY
(RECAPTURE)



15% BRACKETS BREAK POINT (TAXABLE INCOME)

- MFJ - \$65,100
- MFS - \$43,650
- SINGLE - \$32,550

- CLIENT WANTS TO KNOW AGI
- TAX PROFESSIONAL TALKS TAXABLE INCOME
- COMMUNICATION - KEY

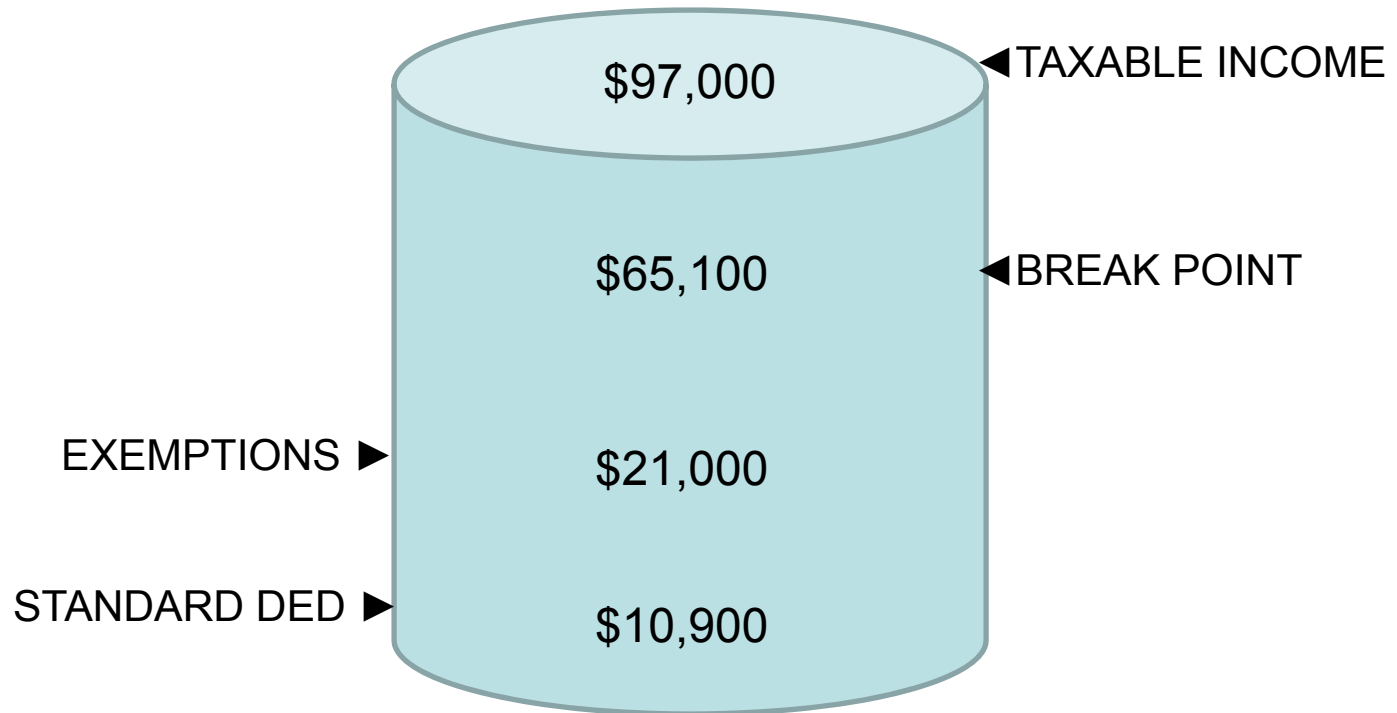
- HOW MUCH MONEY CAN I MAKE
- AGI
- PLANNING

WHAT IS MY TAX?

- MFJ
- 2 CHILDREN
- STANDARD DEDUCTION
- \$97,000 CAPITAL GAINS – TOTAL INCOME

- WHAT IS MY TAX?

MFJ SCENARIO

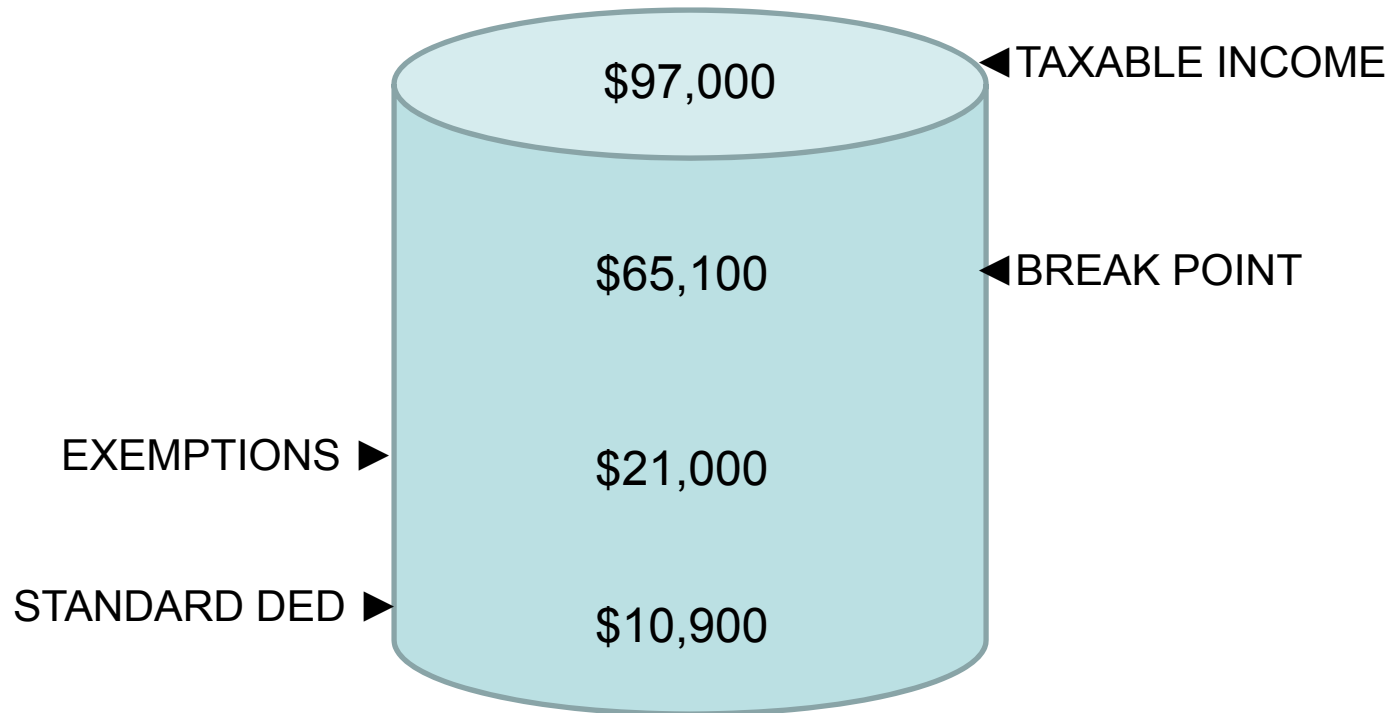


- STACKING OF INCOME TYPE
- EDUCATE YOUR CLIENT
- PLANNING WITH REGULAR TAXABLE INCOME
- BREAK POINTS (-) REGULAR TAXABLE INCOME = 0% GAINS AVAILABLE

WHAT IS MY TAX

- USING SAME SCENARIO AS BEFORE WITH THE FOLLOWING CHANGE TO INCOME:
 - ORDINARY INCOME = \$27,000
 - CAPITAL GAINS = \$70,000
- WHAT IS MY TAX?

MFJ SCENARIO





SIMPLIFIED CALCULATION (TAX PROFESSIONAL)

- **BREAK POINT AMOUNT**
– MINUS
- **REGULAR TAXABLE INCOME**
(TAXABLE INCOME LESS NET CAPITAL GAINS)
- **EQUALS NET CAPITAL GAINS @ 0%
RATE**



SIMPLIFIED CALCULATION (THE CLIENT)

TAXABLE INCOME (BREAK POINT)

(+)

STANDARD DEDUCTION

OR

ITEMIZED DEDUCTION

(+)

EXEMPTION

HOW MUCH CAN I MAKE?

KEYS TO PLANNING

- NO TAX TODAY SPEND TOMORROW
- FUTURE TAXATION
- CLIENTS WHOM DO NOT HAVE TO SELL OR MAYBE PLANNING TO SELL IN FUTURE WHY NOT NOW?

- **NEW RULES**
 - UNDER AGE 18 UNEARNED INCOME OVER \$1800
 - AGE 18 – 24 FULL TIME STUDENT WHEN EARNED INCOME DOES NOT EXCEED ½ OF SUPPORT

- **WHICH KIDS AT WHAT RATE**

- **GETTING OUT OF BUSINESS**
- **MUTUAL FUNDS RELOCATION**
- **DOWN SIZING**

PLANNING IDEAS (CONTINUED)

- **LIKE KIND EXCHANGE**
 - TAX DEFERRED ‘VS’ CAPITAL GAINS
 - PARTIAL SALE / PARTIAL DEFERRAL

- **INSTALLMENT SALE**

- **BUSINESS INJECTION**



PLANNING – LOWERING INCOME

- SCHEDULE A
- 179 EXPENSING
- ADJUSTMENTS
- ACCELERATING DEDUCTIONS
- GIFTING
- DEFERRAL OF INCOME

- CAPITAL LOSS CARRY OVER
- SOCIAL SECURITY
- AMT
- FUTURE



NATP RESEARCH

POP QUIZ