

WHAT'S NEW IN TAXMASTER FOR THE 1988 PLANNER

Using the planner is practically identical to the 1987 preparer. Enter the numbers, real or imaginary, and recalculate. The conventions are the same. See the preparer documentation for details.

First of all, there are only two tax brackets, sort of. There is a "phantom tax" bracket of 33%, beyond the 15% and 28% brackets. The 33% bracket range essentially wipes out the 15% bracket, thus making only one bracket for high income earners, 28%. Your incremental tax bracket is shown on the line following line 37 of the 1040 Form (tax calculation).

The personal exemption has increased and the standard deduction has also been raised. All the things you got 65% credit for last year, i.e. personal interest, has dropped to 40%.

Schedule D has changed the most. 1987 was a phase-in year, and thus unique. There is no longer a separate Schedule D tax calculation to worry about. All Capital Gain transactions are now considered short-term. The only exception to this rule in TAXMASTER is the handling of long-term loss carryovers. Since we could not get any definitive guidance, a conservative path has been taken. Carryovers are handled separately and short-term carryovers are used up first. Thus, you may continue to have a long-term loss carryover. Whether the IRS chooses to treat all carryovers as short-term or not, doesn't really matter for planning purposes, as the final results are the same. You'll be ready if they are treated separately. Note: while we don't expect any major tax law changes, preferential treatment for capital gains could be an exception. President Reagan has mentioned it on more than one occasion.

Page 2 of Schedule E is not linked to Form 8582. Values for passive income must be manually entered on Form 8582. The amount of passive loss allowed will be calculated. The results of this calculation can be then manually divided up and entered on Schedule E (or elsewhere). Our goal is to have something in the 1988 Preparation version to handle this automatically.

Some estimating routines have been added to aid you in extrapolating and estimating a partial year's data. They are located on the right side of the 1040 Form and Schedule A.

An updated W-4 Form is included. Throw out the older version. The old version will still probably give the same answer in most cases, but the new one is a bit more accurate.

Due to the interpretations necessary to implement the 1988 Planner, the possibility exists for alternate interpretations. If you find some things that don't seem quite right, give us a call and we'll get it sorted out.

WHAT TO DO WITH THE PLANNER

First off, run last year's tax numbers through the planner. This should show you, all things being equal, what Tax Reform will do for/to you in 1988. It may also give you some guidance on whether you vote your incumbent representative back in.

Next, throw in your estimated numbers for 1988 into the planner. This will give you a good idea where you stand so far in 1988.

Now you can get creative. Planning to buy or refinance a house, test interest values for benefits and limitations. Considering buying or selling a rental property? Run some test numbers through Schedule E. Do you run a business and have to estimate your taxes every quarter and worry about those nasty underwithholding penalties? Now you don't have to worry any more! How much to put in your IRA? Test out various amounts and find out if you have any limitations. Did you receive a stock distribution from your company that is fully taxable? Use Schedule D to find out how big of a tax hit you may be in for, while you can still do something about it. I think you get the idea.

The possibilities are endless. How you use the planner is up to you and your individual situation. If you have any questions, give us a call.