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Capital gains taxes - The same for now

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Toward the end of 2010, many people wondered what would happen to capital gain tax rates on January 1st. Some even scrambled to close the sale of property before the end of the year. In the end, congress extended the capital gain rates in mid December. Following is a brief summary of portions of the Tax Relief, Unemployment Insurance Reauthorization and Jobs Creation Act of 2010 which are likely to impact real estate investors.

* Capital Gain & Dividend Rates - Current rates extended for two years for all taxpayers with a maximum rate of 15% for both.
* Personal Tax Rates - Current rates extended for two years for all taxpayers with the top rate remaining at 35%.
* Social Security Tax - The employee tax rate of 6.2% on the first $106,800 of wages drops to 4.2% in 2011.
* Alternative Minimum Tax - Current exemptions were extended for all taxpayers for two years.
* Estate Tax - An exclusion amount of $5 million and a tax rate of 35% for amounts in excess of the exclusion was established for two years; the exclusion being indexed beginning in 2012.
* Gift Tax - A Gift Tax exclusion amount of $5 million and a tax rate of 35% for amounts in excess of the exclusion was established for two years; the exclusion being indexed beginning in 2012.
* Other Extensions - The $1,000 child credit; an additional standard deduction for real-estate taxes; extension of 15-year cost recovery for certain leasehold improvements, restaurant buildings and qualified retail improvements (through 2011); and the extension of various energy credits (through 2011).

Although the legislation provides some certainty for two years, we may find ourselves questioning our future rates again in 2012. Since that is also an election year, it may be interesting!

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