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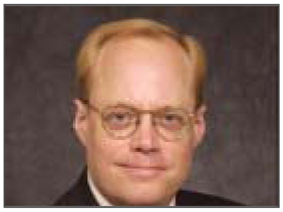

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No Matter Who Wins The Election, Higher Taxes Are Certain

Obama vs. Romney 2012 (Photo credit: DonkeyHotey)

If you thought the Second Debate between President Obama and Gov. Romney told you almost nothing about taxes, you're not alone. Sure, there were some platitudes but there was precious little detail. This summary is an eye-opener: Tax Aspects Of The Obama – Romney Debate, Round 2.

With all the talk about who will face tax increases, some things seem inevitable. Most of us will pay more. What if there are "no new taxes" or "no tax increases?" Such campaign promises trip easily off the tongue, but still, we will pay more.

First, the Bush Era cuts are expiring and there's no patch in sight. Semantically, it is arguably not a tax increase if the cuts simply expire. Sure, the phase-out of deductions and credits will hurt, but it's the expiring 15% capital gain rate that generates the buzz.

After December 31, 2012, the best rate on long-term gains goes to 20%. Of course, that's not the whole story since capital gains incur an additional 3.8% Medicare tax starting January 1, 2013. It hits single filers with incomes over $200,000 and married joint filers over $250,000. Long-term rates jump from ***15% to 23.8%*** at year-end, the highest rate since 1997.

Gov. Romney promises to repeal this 3.8% surtax along with the rest of the Obamacare. Perhaps, but it is hard to imagine him getting the necessary Democrats in Congress to agree. Meantime, there's Alternative Minimum Tax (AMT), arguably far more important that most of the other points being debated.

If you haven't seen how AMT works lately you should run some numbers and prepare to be shocked. A recent Congressional Research Service report (RL30149) included a grim timeline of how AMT is darkening our national map. Congress' two-year patch in 2010 covered only 2010 and 2011.

For most of us, the practical dollar effects of AMT are far more than a 15% to 20% capital gain rate spread, or a 35% and 39.6% top ordinary rate. In 2009, only 3.8 million taxpayers, 2.7% of all taxpayers paid AMT. Only three years later in 2012, 30 million of us will pay AMT or have AMT limits on tax credits.

This is not hyperbole. The CRS report figures one-fifth of all taxpayers will be hit by the AMT in 2012. 2013 will be worse. And while many people seem to be like deer in the headlights waiting until after the election to start considering year-end tax moves, that seems a particularly naive view this year.

For those who want to sell investment property at 15%, now might be a good time. There may never be another chance.

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