

**2008 INDIVIDUAL INCOME TAX RATES**

| 2008 TAXABLE INCOME*                                | BASE AMOUNT OF TAX | + | RATE ON EXCESS |
|---|--------------------|---|----------------|
| <b>SINGLE INDIVIDUALS</b>                           |                    |   |                |
| \$ 0 - 8,025  | \$ 0               |   | 10%            |
| 8,026 - 32,550                                      | 802.50             |   | 15%            |
| 32,551 - 78,850                                     | 4,481.25           |   | 25%            |
| 78,851 - 164,550                                    | 16,056.25          |   | 28%            |
| 164,551 - 357,700                                   | 40,052.25          |   | 33%            |
| Over 357,700  | 103,791.75         |   | 35%            |
| <b>MARRIED FILING JOINTLY AND SURVIVING SPOUSES</b> |                    |   |                |
| \$ 0 - 16,050                                       | \$ 0               |   | 10%            |
| 16,051 - 65,100                                     | 1,605.00           |   | 15%            |
| 65,101 - 131,450                                    | 8,962.50           |   | 25%            |
| 131,451 - 200,300                                   | 25,550.00          |   | 28%            |
| 200,301 - 357,700                                   | 44,828.00          |   | 33%            |
| Over 357,700  | 96,770.00          |   | 35%            |
| <b>HEADS OF HOUSEHOLDS</b>                          |                    |   |                |
| \$ 0 - 11,450                                       | \$ 0               |   | 10%            |
| 11,451 - 43,650                                     | 1,145.00           |   | 15%            |
| 43,651 - 112,650                                    | 5,975.00           |   | 25%            |
| 112,651 - 182,400                                   | 23,225.00          |   | 28%            |
| 182,401 - 357,700                                   | 42,755.00          |   | 33%            |
| Over 357,700  | 100,604.00         |   | 35%            |
| <b>MARRIED FILING SEPARATELY</b>                    |                    |   |                |
| \$ 0 - 8,025  | \$ 0               |   | 10%            |
| 8,026 - 32,550                                      | 802.50             |   | 15%            |
| 32,551 - 65,725                                     | 4,481.25           |   | 25%            |
| 65,726 - 100,150                                    | 12,775.00          |   | 28%            |
| 100,151 - 178,850                                   | 22,414.00          |   | 33%            |
| Over 174,850  | 48,385.00          |   | 35%            |

**CAPITAL GAINS AND QUALIFIED DIVIDENDS**

|                                    | For taxpayers in 10% or 15% tax brackets | For taxpayers in tax brackets above 15% |
|------------------------------------|--|---|
| Long-Term Capital Gains* Tax Rates | 0%                                       | 15%                                     |
| Qualified Dividends Tax Rates      | 0%                                       | 15%                                     |

\*Effective for investments held longer than 1 year.

**PERSONAL EXEMPTION AND STANDARD DEDUCTION**

| 2008 PERSONAL EXEMPTION  |         |
|--|---------|
| Per individual   | \$3,500 |
| A dependent claimed on your return may not claim an exemption on his or her own return. The exemption amounts are phased out when adjusted gross income exceeds certain threshold amounts. |         |
| 2008 STANDARD DEDUCTION*   |         |
| Single   | \$5,450 |
| Married Filing Jointly or qualifying widow(er) with dependent child  | 10,900  |
| Head of Household  | 8,000   |
| Married Filing Separately  | 5,450   |
| *The 2008 additional standard deduction for married taxpayers age 65 or over or blind is \$1,050 each and \$1,350 for single (not a surviving spouse) taxpayers over age 65 or blind.      |         |

If an individual with a single filing status is claimed as a dependent on another's tax return, the maximum standard deduction that individual may take in 2008 is the greater of \$900, or the sum of \$300 and the individual's earned income.

**ITEMIZED DEDUCTIONS\***

|   |                                     |
|---|-------------------------------------|
| Medical & Dental Expenses   | 7.5% AGI Floor                      |
| State & Local Income Taxes  | 100% Deductible                     |
| Real Estate Taxes   | 100% Deductible                     |
| Home Mortgage Loan Interest   | 100% Deductible (Some restrictions) |
| Investment Interest   | Limited Deductibility               |
| Personal Interest   | Nondeductible                       |
| Charitable Contributions  | 100% Deductible (Some restrictions) |
| Job Related & Investment Expenses   | 2% AGI Floor                        |
| *Total itemized deductions other than those for medical expenses, casualty and theft losses and investment interest are reduced by an amount equal to one third multiplied by the lesser of 3% of a taxpayer's adjusted gross income above \$159,950 (\$79,975 if married and filing separately) or 80% of these itemized deductions. |                                     |

**2008 TRADITIONAL IRA DEDUCTION PHASE OUT**

IRA deduction phase out for active participants in qualified plans.<sup>4</sup>

| SINGLE TAXPAYER AGI <sup>3</sup>   | TRADITIONAL IRA DEDUCTION | JOINT RETURN AGI <sup>3</sup> |
|--|---------------------------|-------------------------------|
| Under \$53,000   | \$5,000 <sup>1</sup>      | Under \$85,000                |
| 53,000 - 63,000  | Phased Out                | 85,000 - 105,000              |
| Over 63,000  | No deduction <sup>2</sup> | over 105,000                  |
| <sup>1</sup> \$6,000 if age 50 or over<br><sup>2</sup> Nondeductible contributions can be made.<br><sup>3</sup> Modified Adjusted Gross Income (before IRA deduction)<br><sup>4</sup> For an individual (married, filing a joint return) who is not an active participant in a qualified plan but whose spouse is, the maximum deductible traditional IRA contribution is phased out for combined adjusted gross income between \$159,000 and \$169,000. |                           |                               |

**2008 ROTH IRA CONTRIBUTION PHASE OUT\***

| SINGLE TAXPAYER AGI***   | CONTRIBUTION AMOUNT | JOINT TAXPAYER AGI*** |
|--|---------------------|-----------------------|
| Under \$101,000  | \$5,000 Max*        | Under 159,000         |
| 101,000 - 116,000  | Phased Out          | 159,000 - 169,000     |
| Over 116,000   | No contribution**   | over 169,000          |
| * Roth Contribution limit reduced by contributions to traditional IRAs; Maximum contribution is \$6,000 if age 50 or over.<br>** A contribution may be made to a traditional IRA.<br>*** Modified Adjusted Gross Income. |                     |                       |

**LIMITATIONS ON CONVERSION OF TRADITIONAL IRA TO ROTH IRA**

Adjusted Gross Income (AGI\*) is \$100,000 or less **and** Participant, if married, files a joint return.

\*AGI does not include the taxable amount of the conversion.

**2008 CONTRIBUTION AND ELECTIVE DEFERRAL LIMITS**

| PLAN   | CONTRIBUTION LIMIT | CATCH-UP AMOUNT** |
|--|--------------------|-------------------|
| Traditional IRA  | 5,000              | 1,000             |
| Roth IRA   | 5,000*             | 1,000             |
| Elective Deferral Limit  |                    |                   |
| Simple IRA   | 10,500             | 2,500             |
| 401(k) & 403(b)  | 15,500             | 5,000             |
| Annuities (TSA)  |                    |                   |
| *Limit is reduced by the amount of traditional IRA contribution for the year.  |                    |                   |
| **Additional contribution allowed for participants age 50 or over by year end. |                    |                   |

**2008 COVERDELL ESA CONTRIBUTION LIMIT (PER DESIGNATED BENEFICIARY) - \$2,000**

| 2008 Coverdell ESA AGI Phase Out Range   |                     |
|--|---------------------|
| Single Contributor                       | \$95,000-\$110,000  |
| Married Contributor, Filing Joint Return | \$190,000-\$220,000 |

**SOCIAL SECURITY RATES**

| 2008 TAX RATE  |        |
|--|--------|
| Employee   | 7.65%  |
| Employer   | 7.65%  |
| Self-Employed  | 15.30% |
| 2008 OASDI maximum taxable wage base is \$102,000. The OASDI portion is 6.2% each for employee and employer, and 12.4% for self-employed.                                |        |
| The Medicare portion of the Social Security tax applies to all wages. The Medicare portion is 1.45% each for employee and employer, and 2.9% for self-employed.          |        |
| Self-employed taxpayers may deduct one-half of their self-employment tax for federal income tax purposes as well as for purposes of calculating the self-employment tax. |        |

## DEPENDENT CARE TAX CREDIT

In 2008, eligible taxpayers are allowed a nonrefundable tax credit for eligible expenses incurred for the care of a qualifying individual.

- The maximum credit is 35% of qualified care expenses.
- The credit percentage begins to decrease at \$15,000 of adjusted gross income.
- The minimum credit percentage is 20% for taxpayers with adjusted gross income over \$43,000.

## CHILD TAX CREDIT

For 2008, a tax credit of \$1,000 per child is available for dependents under age 17 as of the close of the tax year.

The credit begins to phase out when modified adjusted gross income reaches:

- \$110,000 for married, filing jointly
- \$ 55,000 for married, filing separately
- \$ 75,000 for single taxpayers

The credit is reduced by \$50 for each \$1,000 or fraction thereof of modified AGI above the above thresholds.

## CORPORATE INCOME TAX RATES

### 2008 CORPORATE TAX RATES\*

| TAXABLE INCOME          | BASE AMOUNT OF TAX | + | RATE ON EXCESS |
|-------------------------|--------------------|---|----------------|
| \$ 0 - 50,000           | \$ 0               |   | 15%            |
| 50,001 - 75,000         | 7,500              |   | 25%            |
| 75,001 - 100,000        | 13,750             |   | 34%            |
| 100,001 - 335,000       | 22,250             |   | 39%            |
| 335,001 - 10,000,000    | 113,900            |   | 34%            |
| 10,000,001 - 15,000,000 | 3,400,000          |   | 35%            |
| 15,000,001 - 18,333,333 | 5,150,000          |   | 38%            |
| Over 18,333,333         | 6,416,667          |   | 35%            |

\*Capital gains are taxable at regular corporate rates.

Certain personal service corporations are taxed at a flat rate of 35%.

## ESTATES AND TRUSTS

### 2008 GIFT - ESTATE TAX RATES

| TAXABLE ESTATE | *TAX AFTER APPLYING UNIFIED CREDIT | MARGINAL TAX RATE (Tax on next dollar) |
|----------------|------------------------------------|--|
| \$2,000,000    | 0                                  | 45%                                    |

\*The unified credit is \$780,800 (the tax on the first \$2,000,000).

### 2008 ANNUAL GIFT TAX EXCLUSION

|          |                  |
|----------|------------------|
| \$12,000 | Individual       |
| 24,000   | Husband and Wife |

Annual gift tax exclusion – You may give as much as \$12,000 per year to any number of individuals without incurring Federal gift tax and without having to file a gift tax return. If your spouse consents to the gift, you can give up to \$24,000 to each individual, without incurring federal gift tax, but a gift tax return must be filed.

### 2008 TRUST AND ESTATE INCOME TAX RATES

| TAXABLE INCOME | BASE AMOUNT OF TAX | + | RATE ON EXCESS |
|----------------|--------------------|---|----------------|
| \$ 0 - 2,200   | \$ 0               |   | 15%            |
| 2,201 - 5,150  | 330.00             |   | 25%            |
| 5,151 - 7,850  | 1,067.50           |   | 28%            |
| 7,851 - 10,700 | 1,823.50           |   | 33%            |
| Over 10,700    | 2,764.00           |   | 35%            |

Disclaimer: This guide is provided for general information only. It is not intended to constitute tax or legal advice. It represents State Farm's understanding of the tax laws in effect on the printing date. You should contact your tax advisor for specific advice.



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# FEDERAL TAX Guide

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