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Grant Thornton LLP Phoenix office finds few tax surprises in Obama budget

Phoenix, AZ March 17, 2009 – President Obama unveiled the framework of his first budget on Feb. 26, 2009, including a comprehensive overview of his plans for the tax code. The tax proposals generally follow policies outlined in his campaign and contain few surprises.

Most of the new individual tax benefits promised during his campaign are included in the budget proposal, and the budget proposes making permanent many provisions enacted temporarily in the recent stimulus bill.

“As promised, Obama proposes to extend the Bush tax cuts for singles with under \$200,000 of income and married couples with under \$250,000,” said Ken Garrett, Tax Partner and local Tax Practice Leader in the Phoenix office. “However, he also follows through on promises to narrow the deficit with significant revenue raisers. Taxpayers above the \$200,000 or \$250,000 thresholds would see a significant rollback of key Bush tax breaks, as well as a new rate restriction on itemized deductions.”

Many of the largest revenue raisers in Obama’s budget come from new offsets aimed at businesses. Some of these are items the president has supported in the past, such as a change in the taxation of carried interest and an as yet undefined proposal to address the taxation of the international operations of U.S. multinationals.

“Obama’s budget is not without a few proposed tax breaks for businesses,” said Garrett. “A proposal to extend the carryback period for net operating losses could be particularly helpful in the short-term.”

To read the full Grant Thornton *Tax Legislative Update: Obama budget includes both tax breaks and increases for businesses; disparate treatment of Bush tax cuts*, please go to www.GrantThornton.com/taxflashes.

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