

With republicans dominating the upper house and the democrats in the senate there is an implication on the tax payers which is yet to be established. If the congress doesn't come to the rescue of tax payers there will be an increase in some income taxes in the year 2011 as Bush tax cuts is due to expire. Therefore taxpayers ought to be focused, seek advice from financial advisors and have a better plan that will be able to protect them despite the congress decisions.

Upon the expiry of Bush tax reduction, taxpayers must reflect on the possible effects whereby top income rates hikes from 35 percent to 39.6 percent in 2011. Likewise those in the lower bracket income are more likely to pay more since the current 10 percent tax rate will disappear as a new rate of 15 percent comes in. In case congressmen doesn't take any action capital gains rates will automatically go up to 20 percent from the current 15 percent, thus affecting each and every tax payer apart from those earning low income, whose rates will rise from less than one percent to approximately 10 percent. This therefore is a good idea for the tax payers to invest within the 2010 bracket.

Taxpayers on the upper bracket have to consider making tax deductions in this year since the rates are much lower compared to 2011 expected rates. They can also take advantage of this and make prepayments for January 2011 on their mortgage bills with considerations that they don't fall on the minimum tax category. Finally tax payers ought to consider diversifying their assets to give them a wider control on their tax bill by creation of various accounts that are treated separately by the tax man, such that If an individual has most of his money in a tax-deferred retirement account, his withdrawals will be taxed as ordinary income but if he has other accounts he is eligible to withdraw the money he requires without any further additional taxes.