

Personal Income Tax Treatment of Net Long Term Capital Gains

	<u>Example #1</u>	<u>Example #2</u>
Current Law	100,000 net long term capital gain 60,000 40% business assets deduction 8.95% maximum possible tax rate 5,370 tax liability	\$20,000,000 net long term capital gain 12,000,000 40% business assets deduction 8.20% average effective tax rate 984,000 tax liability
ESOP Proposal	50,000 50% of the net capital gain credit? 831% more than the tax liability	10,000,000 50% of the net capital gain credit? 916% more than the tax liability
Option 1	10,000 additional 50% deduction 8.95% maximum possible tax rate 895 tax liability -83% percentage decrease	2,000,000 additional 50% deduction 8.95% maximum possible tax rate 179,000 tax liability -82% percentage decrease
Option 2	2,685 tax credit - 50% of the tax paid -50% percentage decrease	492,000 tax credit - 50% of the tax paid -50% percentage decrease

Prepared by JFO/st