

Individual Income Tax Planning

A Conceptual Approach

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EXHIBIT 1

Basic Concepts for Tax Advisors

- There is a uniform federal income tax formula for determining individual income tax liability.
- Different types of income receive different tax treatment.
- Different types of expenditures receive different tax treatment.
- Tax planning generally involves either reducing taxable income (by excluding, deferring, or splitting income) or reducing the effective tax rate (via capital gains treatment or tax credits).