

US HOUSE AND SENATE PASS COMPROMISE TAX CUT BILL

The United States Congress has passed the \$350 billion tax cut bill, H. R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003. Key provisions of the bill include:

Acceleration of Certain Previously Enacted Tax Reductions

Accelerates the increase in **child tax credit** from \$600 to \$1,000 for 2003 and 2004. After 2004, the credit reverts to the level provided under current law. For 2003, the increase in the credit will be paid in advance (in July 2003), based on information contained in the taxpayer's 2002 tax return.

Increases the **standard deduction** for married taxpayers filing a joint return to double the amount for single taxpayers for 2003 and 2004. After 2004, the relationship between the standard deduction for married filers and single filers reverts to present law.

Increases the size of the 15% regular **tax bracket for married taxpayers filing joint** returns to double that of the 15% bracket for single individuals for 2003 and 2004. For tax years beginning after 2004, the bracket reverts to present law.

Accelerates the **reduction in individual income tax rates**: The income levels for the 10% rate set to take place in 2008 are accelerated to 2003 and 2004. In 2004 the levels are adjusted for inflation. For tax years beginning after 2004, the levels revert to levels provided by existing law. For 2003, the tax rates above the 15% rate will become 25%, 28%, 33% and 35%, but the rate reductions will still sunset as specified in current law.

Increases the **alternative minimum tax exemption** for married taxpayers filing jointly and surviving spouses to \$58,000 and unmarried taxpayers to \$40,250 for tax years beginning in 2003 and 2004.

Growth Incentives

Depreciation: Allows an additional first year depreciation deduction equal to 50% of the adjusted basis in the qualified property. Qualified property is defined in the same manner as property that qualified for the 30% bonus depreciation provision contained in the Job Creation and Workers Assistance Act of 2002. To qualify, property must be acquired after May 5, 2003 and before January 1, 2005.

Section 179: Increases the deduction limit to \$100,000 for property placed in service in taxable years beginning in 2003, 2004 and 2005. The phase-out limit of \$200,000 is increased to \$400,000 for the same period. The dollar limitations are indexed annually for tax years beginning after 2003 and before 2006. The provision also includes off-the-shelf computer software.

Reductions in Taxes on Capital Gains and Dividend Rates

Reduces the **10% and 20% rates on net capital gains** to 5% (zero in 2008) and 15% respectively and applies to both regular tax and alternative minimum tax for assets held more than one year. The provision applies to sales and exchanges made on or after May 6, 2003 and before January 1, 2009.

Dividends received by an individual shareholder from domestic and qualified foreign corporations will generally be taxed at the same rates that apply to capital gains. This applies to dividends received in tax years beginning after 2003 and before 2009.

Other

Change in **corporate estimated tax payment**: 17% of the corporate estimated tax payment due on September 15, 2003 shall not be due until October 1, 2003.

Very Truly Yours,

Krebs & Co., CPA's, Inc.
dba **Krebs Advisory Group**