

# 2003 TAX SEASON NEWSLETTER

## I) ELECTRONIC FILING PAYMENT OPTIONS

### New York State

Taxpayers may elect to pay their balance due by authorizing a direct debit from their savings or checking account in 2003. Taxpayers must specify at the time their return is electronically filed, the type of account (savings or checking), account number, routing number of the bank account and the date of the debit. The direct debit option must be chosen before the state income tax is transmitted to New York State.

Taxpayers can pay their 2002 tax liability with their credit cards (American Express, Discover, MasterCard or VISA), by contacting one of the two credit card service providers listed below. Taxpayers must contact these providers directly.

Official Payments Corp

Call - 1-800-2PAYTAX

[www.officialpayments.com](http://www.officialpayments.com)

Link 2 Gov Corp

Call – 1-866-TAXESNY

<https://www.nytaxpayment.com/default.aspx>

You can connect to either of these sites by visiting the NYS Tax Department's web-site [www.tax.state.ny.us](http://www.tax.state.ny.us) and clicking on pay by credit card.

### Internal Revenue Service

Taxpayers can pay their federal taxes using a direct debit or credit cards (American Express, Discover, MasterCard or VISA) in 2002. Direct debit payments can be made by calling 1-888-353-4537 or by setting the payment schedule up with your tax preparer at the time of your tax appointment.

You can pay income taxes using either of the two credit card service providers listed below. Taxpayers must contact these providers directly.

Official Payments Corp

Call - 1-800-2PAYTAX

[www.officialpayments.com](http://www.officialpayments.com)

Link to Gov Corp

Call - 1-888-PAY1040

<https://www.pay1040.com/default.htm>

## II) 2002 TAX FIGURES

### **Standard Deductions for 2002**

|                           |         |
|---------------------------|---------|
| Married Filing Jointly    | 7850.00 |
| Single                    | 4700.00 |
| Head of Household         | 6900.00 |
| Married Filing Separately | 3925.00 |

### **Personal Exemptions for 2002**

\$3000.00 per person

### 2002 Phase-Out Amounts / Adjusted Gross Income Ranges

| <u>Filing Status</u> | <u>Lifetime Learning &amp; Hope Scholarship</u> | <u>Coverdell ESA</u> | <u>Student Loan Int</u> |
|----------------------|---|----------------------|-------------------------|
| Married Filing Joint | \$82,000-102,000                                | \$190,000-220,000    | \$100,000-130,000       |
| Single               | 41,000 - 51,000                                 | 95,000 - 110,000     | 50,000-65,000           |
| Head of Household    | 41,000 - 51,000                                 | 95,000 - 110,000     | 50,000-65,000           |
| Married Separately   | Do Not Qualify                                  | 95,000 - 110,000     | Do Not Qualify          |

| <u>Filing Status</u> | <u>Regular IRA Active Participant</u> | <u>Roth IRA</u>   | <u>Child Tax Credit</u> |
|----------------------|---------------------------------------|-------------------|-------------------------|
| Married Filing Joint | \$54,000-64,000                       | \$150,000-160,000 | (over)\$ 110,000        |
| Single               | 34,000-44,000                         | 95,000-110,000    | (over) 75,000           |
| Head of Household    | 34,000-44,000                         | 95,000-110,000    | (over) 75,000           |
| Married Separately   | 0-10,000                              | 0- 10,000         | (over) 55,000           |

| <u>Filing Status</u> | <u>Tuition &amp; Fees Deduction</u> |
|----------------------|-------------------------------------|
| Married Filing Joint | \$0-130,000                         |
| Single               | 0-\$65,000                          |
| Head of Household    | 0-\$65,000                          |
| Married Separately   | Do Not Qualify                      |

### III) 2002 KEY CHANGES

#### A) Tuition and Fees Deduction

A new tax deduction is allowed for qualified higher education expenses as an adjustment to income on your 2002 income tax return. The deduction allows for up to \$3,000 of tuition and fees paid for the enrollment at an eligible educational institution. Please see phase out amounts listed above.

Click the link below for more information on the Tuition and Fees Deduction  
<http://www.prattassociates.com/documents/other/TuiDed.pdf>

#### B) Educator's Expenses

A new above the line deduction for AFI is available for kindergarten through grad 12 teachers, that purchase books, supplies, equipment used in the classroom. The deduction is limited to \$250 per taxpayer, as long as the taxpayer spends at least 900 hours during the year as an educator.

Click the link below for more information on the Educator's Expense Deduction  
<http://www.prattassociates.com/documents/other/EdEx.pdf>

#### C) Retirement Savings Contribution Credit

A new credit allows qualified individuals to a nonrefundable credit for eligible contributions to an IRA or to an employer sponsored retirement plan. The credit ranges from 50% - 10% of the retirement contribution depending on the taxpayer's filing status and adjusted gross income. The table below illustrates the phase out amounts.

|             |                      |                   |                 |
|-------------|----------------------|-------------------|-----------------|
| Credit Rate | Married Filing Joint | Head of Household | Single, MFS, QW |
| 50%         | 0 - \$ 30,000        | 0 - \$ 22,500     | 0 - \$15,000    |
| 20%         | 30,001 – 32,500      | 22,501 – 24,375   | 15,001 – 16,250 |
| 10%         | 32,501 – 50,000      | 24,376 – 37,500   | 16,251 – 25,000 |
| 0%          | 50,001 and over      | 37,501 – and over | 25,001 and over |

Click the link below for more information on the Retirement Savings Contribution Credit  
<http://www.prattassociates.com/documents/other/RetirSav.pdf>

D) Student Loan Interest Deduction

Taxpayers can deduct up to \$2,500 of interest on qualified educational loans for college or vocational school expenses as an adjustment to income. The law changed in 2002 to repeal the 60-month limitation on payments of student loans. Now all voluntary payments of interest will be deductible.

Click the link below for more information on the Student Loan Interest Deduction  
<http://www.prattassociates.com/documents/other/StuIntDed.pdf>

E) Listed below are the maximum benefits you can receive from the various tax credits or deductions. These credits or deductions are phased out as noted above.

|                          |           |
|--------------------------|-----------|
| Child Tax Credit         | \$600.00  |
| Hope Scholarship Credit  | \$1500.00 |
| Lifetime Learning Credit | \$1000.00 |

V) **WHAT'S AHEAD IN 2003**

Dependency Exemption

In 2003 the dependency exemption will increase to \$3,050.

Estate Tax Exemption

The Estate tax unified credit will increase to \$1,500,000 for 2003.

Standard Mileage Rate

IRS has announced that the standard mileage rate for business use has increased to 36.0 cents in 2003, down from 36.5 cents in 2002.

Kiddie Tax

The first \$750 of a child's (under 14) investment income will be tax free in 2003. The next \$750 will be taxed at the child's tax rate and amounts in excess of \$1,500 will be taxed at the parent's rate.

Social Security Tax

Social Security tax will be assessed on the first \$87,000 of wages in 2003 up from \$84,900 in 2002.

**PLEASE NOTE:**

REMEMBER, THE TOPICS COVERED IN THIS NEWSLETTER ARE AN ABRIDGED VERSION TO THE ACTUAL TAX LAWS AND CODES COVERED BY THE IRS AND NEW YORK STATE. THEREFORE SOME INFORMATION MAY BE SUBJECT TO CHANGE ON A CASE-BY-CASE BASIS. IF YOU HAVE ANY QUESTIONS REGARDING THE ABOVE INFORMATION PLEASE EMAIL US AT [KSPNBRG@NYCAP.RR.COM](mailto:KSPNBRG@NYCAP.RR.COM).