

2004 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 2004. 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 they wish the debit to occur. The direct debit option must be chosen before the state income tax is transmitted to New York State.

Taxpayers can pay their 2003 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

Link 2 Gov Corp

Call – 1-866-TAXESNY

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

You can also connect to either of these sites by visiting the NYS Tax Department's website 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 2004. Direct debit payments can be made by calling 1-888-353-4537 or by setting up the payment schedule 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

Link to Gov Corp

Call - 1-888-PAY1040

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

II) 2003 TAX FIGURES

Standard Deductions for 2003

Married Filing Jointly	9500.00
Single	4750.00
Head of Household	7000.00
Married Filing Separately	4750.00

Personal Exemptions for 2003

\$3050.00 per person

2003 Phase-Out Amounts / Adjusted Gross Income Ranges

<u>Filing Status</u>	<u>Lifetime Learning & Hope Scholarship</u>	<u>Coverdell ESA</u>	<u>Student Loan Int</u>
Married Filing Joint	\$83,000-103,000	\$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	\$60,000-70,000	\$150,000-160,000	(under)\$ 110,000
Single	40,000-50,000	95,000-110,000	(under) 75,000
Head of Household	40,000-50,000	95,000-110,000	(under) 75,000
Married Separately	0-10,000	0- 10,000	(under) 55,000

<u>Filing Status</u>	<u>Tuition & 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) 2003 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 2003 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

Similar to 2002, an above the line deduction is available for kindergarten through grade 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

Similar to 2002, this 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/StulntDed.pdf>

E) Marriage Penalty Relief

The 2003 Standard deduction for Married Filing Jointly and Qualifying Widower taxpayer's has been increased to \$9,500 equalizing two single filer amounts.

F) Child Tax Credit

The new tax law increases the amount of the 2003 Child Tax Credit from \$600 to \$1,000 per child. In the summer of 2003 the new law allowed payment of advanced rebate checks in the amount of \$400 per child. If you received this rebate check you will only be able to claim the \$600 credit on your 2003 tax return.

G) 10 % Tax Bracket Changes

The 10% tax bracket has increased in 2003. Below is a chart that illustrates the new 10% tax bracket.

Single & Married Filing Separately	\$0 – 7,000
Married Filing Jointly & Qualifying Widower	\$0 – 14,000
Head of Household	\$0 – 10,000

H) Capital Gain Tax Rates

The 2003 tax act changes the taxability of long-term capital gain rates (LTCG). The following new LTCG tax rates apply to sales made on or after 5/6/03. To qualify for a LTCG one must hold the property for over 1 year.

Taxpayers in the 10% or 15% tax brackets LTCG rate is reduced from 10% to 5%. For tax years beginning after 2007, the 5% rate drops to 0%.

For Taxpayers above the 15% tax bracket, the LTCG is reduced from 20% to 15%.

I) Dividend Income Tax Rates Reduced

Starting in 2003 the new tax law changed the tax on qualified dividend income to the same rates as the above long-term capital gain rates.

The holding period to qualify for this reduced tax rate requires the taxpayer to hold the stock for more than 60 days.

J) New Federal Personal & Fiduciary Tax Rates

IRS has accelerated the reduction in tax rates starting in the 2003 tax year. Below is a table detailing the new rates.

Married Filing Jointly or Qualifying Widower Taxable Income:

\$ 0 to 14,000 X 10% minus \$ 0.00 = Tax
14,001 to 56,800 X 15% minus 700.00 = Tax
56,801 to 114,650 X 25% minus 6,380.00 = Tax
114,651 to 174,700 X 28% minus 9,819.50 = Tax
174,701 to 311,950 X 33% minus 18,554.50 = Tax
311,951 and over X 35% minus 24,793.50 = Tax

Single Taxable Income:

\$ 0 to 7,000 X 10% minus \$ 0.00 = Tax
7,001 to 28,400 X 15% minus 350.00 = Tax
28,401 to 68,800 X 25% minus 3,190.00 = Tax
68,801 to 143,500 X 28% minus 5,254.00 = Tax
143,501 to 311,950 X 33% minus 12,429.00 = Tax
311,951 and over X 35% minus 18,668.00 = Tax

Head of Household Taxable Income:

\$ 0 to 10,000 X 10% minus \$ 0.00 = Tax
10,001 to 38,050 X 15% minus 500.00 = Tax
38,051 to 98,250 X 25% minus 4,305.00 = Tax
98,251 to 159,100 X 28% minus 7,252.50 = Tax
159,101 to 311,950 X 33% minus 15,207.50 = Tax
311,951 and over X 35% minus 21,446.50 = Tax

Married Filing Separately Taxable Income:

\$ 0 to 7,000 X 10% minus \$ 0.00 = Tax
7,001 to 28,400 X 15% minus 350.00 = Tax
28,401 to 57,325 X 25% minus 3,190.00 = Tax
57,326 to 87,350 X 28% minus 4,909.75 = Tax
87,351 to 155,975 X 33% minus 9,277.25 = Tax
155,976 and over X 35% minus 12,396.75 = Tax

Fiduciary (Estates and Trusts) Taxable Income:

\$ 0 to 1,900 X 15% minus \$ 0.00 = Tax
1,901 to 4,500 X 25% minus 190.00 = Tax
4,501 to 6,850 X 28% minus 325.00 = Tax
6,851 to 9,350 X 33% minus 667.50 = Tax
9,351 and over X 35% minus 854.50 = Tax

K) Updated New York State Tax Brackets

For tax years 2003-2005 there are two new tax rates for personal income taxes. The new top rate has increased from 6.85% to 7.7% in 2003. Below is a chart detailing the new tax rate schedule for NYS taxpayers.

Married Filing Jointly or Qualifying Widower Taxable Income:

\$ 0 to 16,000 X 4.00% minus \$ 0.00 = Tax
16,001 to 22,000 X 4.50% minus 80.00 = Tax

22,001 to 26,000 X 5.25% minus 245.00 = Tax
26,001 to 40,000 X 5.90% minus 414.00 = Tax
40,001 to 150,000 X 6.85% minus 794.00 = Tax
150,001 to 500,000 X 7.50% minus 1,769.00 = Tax
500,001 and over X 7.70% minus 2,769 = Tax

Single Taxable Income and Married Filing Separately:

\$ 0 to 8,000 X 4.00% minus \$ 0.00 = Tax
8,001 to 11,000 X 4.50% minus 40.00 = Tax
11,001 to 13,000 X 5.25% minus 122.50 = Tax
13,001 to 20,000 X 5.90% minus 207.00 = Tax
20,001 to 100,000 X 6.85% minus 397.00 = Tax
100,001 to 500,000 X 7.50% minus 1,047.00 = Tax
500,001 and over X 7.70% minus 2,047.00 = Tax

Head of Household Taxable Income:

\$ 0 to 11,000 X 4.00% minus \$ 0.00 = Tax
11,001 to 15,000 X 4.50% minus 55.00 = Tax
15,001 to 17,000 X 5.25% minus 167.50 = Tax
17,001 to 30,000 X 5.90% minus 278.00 = Tax
30,001 to 125,000 X 6.85% minus 563.00 = Tax
125,001 to 500,000 X 7.50% minus 1,375.50 = Tax
500,001 and over X 7.70% minus 2,375.50 = Tax

l) 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	\$1000.00
Hope Scholarship Credit	\$1500.00
Lifetime Learning Credit	\$2000.00

IV) WHAT'S AHEAD IN 2004

Dependency Exemption

In 2003 the dependency exemption will increase to \$3,100.

Estate Tax Exemption

The Estate tax unified credit will increase to \$1,500,000 for 2004, up from \$1,000,000 in 2003.

Standard Mileage Rate

IRS has announced that the standard mileage rate for business use has increased to 37.5 cents in 2004, up from 36.0 cents in 2003.

Social Security Tax

Social Security tax will be assessed on the first \$87,900 of wages in 2004 up from \$87,000 in 2003.

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.