

2002 PRATT & ASSOCIATES NEWSLETTER UPDATE

JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003

I. PERSONAL INCOME TAX CHANGES

A- CHILD TAX CREDIT

The new tax law increases the amount of the 2003 Child Tax Credit from \$600 to \$1,000 per child.

B- MARRIAGE PENALTY RELIEF

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

C- 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

D- NEW 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

E- ALTERNATE MINIMUM TAX RELIEF

The new law increases the maximum exemption for 2003 & 2004 as follows:

Single & Married Filing Separately	\$40,250
Married Filing Jointly & Qualifying Widower	\$58,000
Head of Household	\$29,000

F- CAPITAL GAIN TAX RATES

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

Taxpayers in the 10% or 15% tax brackets LTCCG 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 LTCCG is reduced from 20% to 15%.

G- 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.

II. BUSINESS INCOME TAX CHANGES

A- BONUS DEPRECIATION

The new law increases the bonus depreciation allowance in 2003 from 30% to 50% for qualifying property.

If the property is purchased on or after 5/6/03 and before 1/1/05 it qualifies for the 50% deduction. If prior to 5/6/03 it still qualifies for the additional 30% bonus depreciation.

Please note, a taxpayer can elect to use the 30% bonus depreciation instead of the 50% or it can elect not to use any bonus depreciation.

B- SECTION 179 DEDUCTION INCREASED

The 2003 act increases the section 179 deductions to \$100,000 up from \$25,000 for tax years 2003-2005.

The phase-out amount was increased from \$200,000 to \$400,000.

2003 NEW YORK STATE TAX LAW CHANGES

A- NEW 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 1,375.00 = Tax
500,001 and over X 7.70% minus 2,375.00 = Tax

B- BONUS DEPRECIATION ELIMINATED

New York State will not follow the IRS election of the bonus depreciation allowances of 30% or 50%. If a taxpayer elects to claim the additional bonus depreciation on their Federal Tax return it will not be allowed on the NYS return.

C- LIMITED LIABILITY COMPANY FEES

Starting in 2003 the fees for Limited Liability Companies and expands to include single-member. The new fees will be \$100 for single member Limited Liability Companies and for Limited Liability Partnerships a fee of \$100 per member with a minimum due of \$500.

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.