Summary of the Jobs and Growth Tax Relief Reconciliation Act of 2003

Provided by:

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Life Insurance, Annuities and Long-Term Care

The 2003 Tax Act (Jobs and Growth Tax Relief Reconciliation Act of 2003 - JGTRRA) was signed into law by President Bush on May 28, 2003.

As is typical of recent tax legislation, the 2003 Tax Act offers tax relief to individuals and businesses, but does so through a variety of complex provisions that include retroactive, temporary and phased-in/phased-out effective dates. While some of these provisions may not apply to you, other provisions will and you may want to revise your planning to take full benefit of those provisions.

As you review the attached summary, pay particular attention to any provisions you feel may impact on your situation. If you would like additional information on the 2003 Tax Act or to discuss the impact of specific provisions on your planning, please call my office.

Jobs and Growth Tax Relief Reconciliation Act of 2003

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) was passed by Congress on May 23, 2003 and signed into law by President Bush on May 28, 2003. This tax package, the third in three years, is being called the third largest in U.S. history. In addition to providing individual and business tax relief, the legislation follows in the footsteps of its predecessors by creating a series of retroactive, temporary and phased-in/phased-out effective dates for various provisions, and it overlaps with the Economic Growth Tax Relief Reconciliation Act of 2001 (EGTRRA) and the Jobs Creation and Workers Assistance Act of 2002 (JCWAA).

While some of the tax relief provisions in JGTRRA are phased in over time, many of the provisions take immediate effect, offering either new tax relief or an acceleration of previously phased-in tax relief. Conversely, many of the tax relief provisions are only temporary in nature and will expire unless Congress takes action to extend them or make them permanent.

Individual Tax Relief:

Tax relief for individuals comes in the form of accelerating previously-passed tax reductions, as well as introducing several new tax relief provisions.

Reduction in Tax Rates on Long-Term Capital Gains

The **maximum long-term capital gains tax rate** is reduced from 20% to 15% for long-term capital gains realized on or after May 6, 2003 and through December 31, 2008. Beginning in 2009, the maximum capital gains rate reverts to 20%.

Maximum Long-Term Capital Gains Tax Rate			
2002	**January 1, 2003 to May 6, 2003**	**May 6, 2003 through 2008**	**2009 and later**
20%	20%	15%	20%

For taxpayers in the 10% and 15% tax brackets, the capital gains rate is reduced from 10% to 5% for capital gains realized on or after May 6, 2003 and through December 31, 2007, and to zero percent in 2008. On January 1, 2009, the 10% capital gains rate returns.

Long-Term Capital Gains Tax Rate (10% and 15% Tax Brackets)				
2002	**January 1, 2003 to May 6, 2003**	**May 6, 2003 through 2007**	**2008**	**2009 and later**
10%	5%	5%	0%	10%

Dividend Tax Relief

Beginning with dividends paid in 2003, dividends paid by domestic and qualified foreign corporations to individual shareholders are taxed at the new, lower capital gains tax rates (15% or 5%) retroactive to the beginning of 2003. Effective January 1, 2009, dividends will again be taxed at ordinary income tax rates.

Qualified Dividend Tax Rate				
Tax Bracket:	**2002**	**2003 through 2007**	**2008**	**2009 and later**
Above 15%	Taxed as ordinary income	15%	15%	Taxed as ordinary income
10% and 15%	Taxed as ordinary income	5%	0%	Taxed as ordinary income

Accelerated Reduction in Income Tax Rates

The reductions in income tax rates in excess of 15% scheduled for 2004 and 2006 are accelerated to 2003, resulting in new rates of 25%, 28%, 33% and 35% (from 27%, 30%, 35% and 38.6%). These reductions are retroactive to January 1, 2003, but are also subject to EGTRRA's sunset provision under which income tax rates revert to 15%, 28%, 31%, 36% and 39.6% after 2010.

Income Tax Rate Schedule		
2002	**2003 through 2010**	**2011 and later**
10%	10%	15% (no 10% bracket)
15%	15%	15%
27%	25%	28%
30%	28%	31%
35%	33%	36%
38.6%	35%	39.6%

Accelerated 10% Tax Bracket Expansion

The expansion of the 10% bracket scheduled for 2008 is accelerated to apply in 2003 and 2004. The threshold for the 10% bracket increases from $12,000 of taxable income to $14,000 for married couples and from $6,000 to $7,000 for single taxpayers. In 2004, the 10% tax bracket threshold amounts will be indexed for inflation.

Again, however, there is a reversion involved. The old 10% tax bracket thresholds of $12,000 and $6,000 reappear in 2005 - 2007, but only temporarily. Due to EGTRRA provisions, the $14,000 and $7,000 thresholds reappear in 2008 and will be indexed for inflation beginning in 2009. Due to EGTRRA sunset provisions, the 10% tax bracket disappears in 2011.

10% Tax Bracket Thresholds					
Threshold Limit:	2002	2003 - 2004*	2005 - 2007	2008 - 2010**	2011 and later
Joint Filers	$12,000	$14,000	$12,000	$14,000	No 10% bracket
Single Filers	$6,000	$7,000	$6,000	$7,000	No 10% bracket

* Indexed for inflation in 2004
** Indexed for inflation in 2009 and 2010

Accelerated Increase in Child Tax Credit

The amount of the child tax credit is increased from $600 to $1,000, accelerating the previous phase-in scheduled between 2005 and 2010. Again the relief is temporary, applying only in 2003 and 2004. Beginning in 2005, the old EGTRRA schedule returns, providing a $700 child tax credit in 2005 which increases back to $1,000 by 2010, but falls to $500 in 2011 when EGTRRA "sunsets."

Child Tax Credit					
2002	2003 - 2004	2005 - 2008	2009	2010	2011 and later
$600	$1,000	$700	$800	$1,000	$500

In addition, **the $400 increase in the 2003 child tax credit will be paid in advance to qualifying taxpayers**, beginning in July 2003, based on information in the taxpayer's 2002 tax return. This means, of course, that qualifying taxpayers will be able to deduct only a $600 child tax credit on their 2003 tax returns, but the hope is that taxpayers will spend the advance payment immediately, helping the economy recover.

Accelerated Marriage Penalty Relief

The standard deduction for married couples is increased to double the amount of the standard deduction for single taxpayers - from $7,950 to $9,500 - in 2003 and 2004. In 2005, the standard deduction for married taxpayers will return to the EGTRRA schedule, starting at 174% of the single return standard deduction and gradually rising again to double the single return standard deduction amount in 2009 and 2010. In 2011, EGTRRA sunsets and the standard deduction reverts to a statutory dollar amount.

Joint Filer Standard Deduction (as a % of single filer standard deduction amount)							
2002	2003 - 2004	2005	2006	2007	2008	2009 - 2010	2011 and later
Not applicable	200%	174%	184%	187%	190%	200%	Not applicable

In addition, **the "width" of the 15% tax bracket for married couples is increased to twice that for single taxpayers**...again in 2003 and 2004 only. Beginning in 2005, the 15% tax bracket for married couples will fall to 180% of the 15% bracket for single taxpayers, as adjusted for inflation, and gradually increase again to 200% in 2008 through 2010. When EGTRRA sunsets in 2011, the 15% tax bracket amounts will revert to statutory dollar amounts.

Joint Filer 15% Tax Bracket Size (as a % of single filer 15% tax bracket)						
2002	**2003 - 2004**	**2005**	**2006**	**2007**	**2008 - 2010**	**2011 and later**
Not applicable	200%	180%	187%	193%	200%	Not applicable

Alternative Minimum Tax Relief

The AMT exemption amount is increased by $9,000 for married couples (from $49,000 to $58,000) and by $4,500 for single taxpayers (from $35,750 to $40,250), but only for the 2003 and 2004 tax years.

Beginning in 2005, without Congressional action, AMT exemption amounts will return to their pre-2001 levels of $45,000 for married couples and $33,750 for single taxpayers.

Alternative Minimum Tax Exemption Amounts			
Filing Status:	**2002**	**2003 - 2004**	**2005 and later**
Joint Filers	$49,000	$58,000	$45,000
Single Filers	$35,750	$40,250	$33,750

Business Tax Relief:

Tax relief for businesses includes the following:

Increase in Small Business Expensing

In lieu of depreciation, business taxpayers can immediately deduct under Section 179 up to $100,000 of qualified property placed in service for the year (up from $25,000). In addition, the phase-out threshold for this special treatment is increased from $200,000 to $400,000. These changes are effective for the 2003, 2004 and 2005 tax years, with both amounts indexed for inflation in 2004 and 2005.

Section 179 Expensing			
	2002	**2003 - 2005***	**2006 and later**
Maximum Section 179 Deduction	$25,000	$100,000	$25,000
Phase-Out Threshold	$200,000	$400,000	$200,000
		* Indexed for inflation in 2004 and 2005	

Increase in First-Year Bonus Depreciation

The additional first-year bonus depreciation deduction is increased from 30% to 50% for property acquired and placed in service after May 5, 2003 and before January 1, 2005. The bonus depreciation amount that may be taken with respect to automobiles increases from $4,600 to $7,650.

Corporate Estimated Tax Postponement

While there is no reduction in the tax rates paid by corporations, there is a small delay provided for a portion of an estimated tax payment. For the corporate estimated tax payment due on September 15, 2003, 25% of that amount is not required to be paid until October 1, 2003.