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| **2003 Numbers**   |  | | --- | |  |   **Updated to reflect changes made by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (2003 Tax Act).**   |  |  | | --- | --- | | * Individual income tax | * Education planning | | * Retirement planning | * Business planning | | * Estate planning | * Protection planning | | * Government benefits | * Other | | * Investment planning |  |   **Individual Income Tax**  **1. Standard deductions**   * Regular standard deductions: $9,500 (increased from $7,950 by the 2003 Tax Act for MFJ or surviving spouse); $4,750 (S); $7,000 (HH); $3,975 (MFS). * Standard deduction for dependent: $750, or $250 + earned income, whichever is greater (same as 2002). However, the standard deduction may not exceed the regular standard deduction for that individual. * Additional standard deduction for married 65 or over or blind: $950. For single or HH age 65 or over or blind: $1,150 (same as 2002).   **2. Itemized deductions**   * Phaseout of itemized deductions begins at AGI of $139,500 (all returns except MFS); $69,750 (MFS).   **3. Personal exemptions**   * Personal exemption for 2003: $3,050. * Phaseout of personal exemption begins at AGI of $209,250 (MFJ or surviving spouse); $174,400 (HH); $139,500 (S); $104,625 (MFS).   **4. Kiddie tax**   * Same as 2002 (child under age 14 with unearned income over $1,500 is subject to kiddie tax). * AMT exemption for child under age 14: the lesser of (1) $5,600 + child's earned income, or (2) $40,250 (increased from $35,750 by the 2003 Tax Act).   **5. Marginal income tax rates**   * The tax rate schedules for 2003 will be as follows:  |  |  | | --- | --- | | **Single taxpayers** | | | **If taxable income is:** | **Your tax is:** | | Not over $7,000 | 10% of taxable income | | Over $7,000 to $28,400 | $700 + 15% of the excess over $7,000 | | Over $28,400 to $68,800 | $3,910 + 25% of the excess over $28,400 | | Over $68,800 to $143,500 | $14,010 + 28% of the excess over $68,800 | | Over $143,500 to $311,950 | $34,926 + 33% of the excess over $143,500 | | Over $311,950 | $90,514.50+ 35% of the excess over $311,950 |  |  |  | | --- | --- | | **Married filing jointly and surviving spouses** | | | **If taxable income is:** | **Your tax is:** | | Not over $14,000 | 10% of taxable income | | Over $14,000 to $56,800 | $1,400 + 15% of the excess over $14,000 | | Over $56,800 to $114,650 | $7,820 + 25% of the excess over $56,800 | | Over $114,650 to $174,700 | $22,282.50 + 28% of the excess over $114,650 | | Over $174,700 to $311,950 | $39,096.50 + 33% of the excess over $174,700 | | Over $311,950 | $84,389 + 35% of the excess over $311,950 |   image   |  |  | | --- | --- | | **Married individuals filing separately** | | | **If taxable income is:** | **Your tax is:** | | Not over $7,000 | 10% of taxable income | | Over $7,000 to $28,400 | $700 + 15% of the excess over $7,000 | | Over $28,400 to $57,325 | $3,910 + 25% of the excess over $28,400 | | Over $57,325 to $87,350 | $11,141.25 + 28% of the excess over $57,325 | | Over $87,350 to $155,975 | $19,548.25 + 33% of the excess over $87,350 | | Over $155,975 | $42,194.50 + 35% of the excess over $155,975 |  |  |  | | --- | --- | | **Heads of household** | | | **If taxable income is:** | **Your tax is:** | | Not over $10,000 | 10% of taxable income | | Over $10,000 to $38,050 | $1,000 + 15% of the excess over $10,000 | | Over $38,050 to $98,250 | $5,207.50 + 25% of the excess over $38,050 | | Over $98,250 to $159,100 | $20,257.50 + 28% of the excess over $98,250 | | Over $159,100 to $311,950 | $37,295.50 + 33% of the excess over $159,100 | | Over $311,950 | $87,736 + 35% of the excess over $311,950 |  |  |  | | --- | --- | | **Trusts and estates** | | | **If taxable income is:** | **Your tax is:** | | Not over $1,900 | 15% of taxable income | | Over $1,900 to $4,500 | $285 + 25% of the excess over $1,900 | | Over $4,500 to $6,850 | $935 + 28% of the excess over $4,500 | | Over $6,850 to $9,350 | $1,593 + 33% of the excess over $6,850 | | Over $9,350 | $2,418 + 35% of the excess over $9,350 |   **6. Luxury auto excise tax**   * No luxury auto excise tax in 2003.   **7. Earned income tax credit (EITC)**   * Disqualified income limit (generally investment income): $2,600. * Maximum amount of earned income on which EITC is based: $4,990 (no qualifying children); $7,490 (joint filers with one qualifying child); $10,510 (two or more qualifying children). * Phaseout of EITC begins at AGI of $7,240 (joint filers with no qualifying children); $6,240 (for others with no qualifying children); $14,730 (joint filers with one or more qualifying children); $13,730 (for others with one or more qualifying children).   **8. Charitable deductions**   * De minimis rules: Charitable contributions will be fully deductible if the donor makes a minimum payment of $40 and receives token gifts with a cost of $8.00 or less. Charitable contributions will also be fully deductible if the benefit received by the donor doesn't exceed the lesser of $80 or 2% of the amount of the contribution. * Use of auto for charitable purposes: The deductible standard mileage rate is 14 cents per mile.   **9. Foreign earned income exclusion**   * The foreign earned income exclusion is $80,000.   **10. Deductible standard mileage rates**   * Use of auto for medical purposes: 12 cents per mile. * Use of auto for moving purposes: 12 cents per mile.   **11. Child tax credit**   * Increased to $1,000 per qualifying child for 2003 and 2004 (from $600) by the 2003 Tax Act.   **12. Alternative Minimum Tax (AMT)** Maximum AMT exemption amount for 2003 and 2004 under the 2003 Tax Act:   * Married filing jointly or surviving spouse, $58,000 (previously $49,000). * Single or head of household, $40,250 (previously $35,750). * Married filing separately, $29,000 (previously $24,500).   AMT income exemption phaseout threshold:   * Married filing jointly or surviving spouse, $150,000. * Single or head of household, $112,500. * Married filing separately, $75,000.   image  **Investment Planning**  **1. Capital gains under the 2003 Tax Act**   * 20% rate is reduced to 15% for long-term capital gains on sales or exchanges on or after May 6, 2003 and before January 1, 2009. The 15% rate applies to taxpayers who are in a marginal tax bracket greater than 15%. * 10% rate is reduced to 5% (zero in 2008) on long-term capital gains for taxpayers who are in the 15% or lower marginal tax brackets.   **2. Dividends under the 2003 Tax Act**   * Dividends received by an individual shareholder from domestic and qualified foreign corporations will generally be taxed at the same rates as capital gains (15%, 5% for those in the 15% or lower marginal tax brackets, with the 5% rate lowered to zero for 2008). This change is effective for dividends received in 2003 through 2008. * Previously, dividends were taxed as ordinary income.   **Education Planning**  **1. U.S. savings bonds**   * Phaseout of interest exclusion begins at modified AGI over $58,500 ($87,750 on a joint return).   **2. Coverdell education savings accounts (formerly known as education IRAs)**   * Annual contribution limit is $2,000.   **Retirement Planning**  **1. 401(k), SARSEP, and 403(b) contributions (elective deferrals)**   * Annual contribution limit is $12,000. * Elective deferral for a SIMPLE retirement account is $8,000.   **2. Section 457 contributions**   * Annual contribution limit is $12,000.   **3. Defined contribution plans (Section 415 limit)**   * The dollar limit is $40,000.   **4. Defined benefit plans**   * The annual benefit limit is $160,000.   **5. IRA contributions (deductible, nondeductible, and Roth IRAs)**   * Annual contribution limit is $3,000 (increasing to $5,000 in 2008), plus $500 catch-up if 50 or older.   image  **Business Planning**  **1. Qualified transportation fringe benefits**   * Employee can exclude up to $190 per month for qualified parking expenses. * Employee can exclude up to $100 per month for combined value of transit passes and transportation in a commuter highway vehicle.   **2. Earnings subject to Social Security taxes (taxable wage base)**   * Maximum annual earnings subject to Social Security taxes rises to $87,000 in 2003. * Social Security and Medicare combined tax rate remains at 15.3% (same as 2002), while the 6.2% OASDI (Old Age, Survivors, and Disability Insurance) tax rate applies to wages up to the new $87,000 wage base.   **3. Health insurance deduction for self-employed**   * Deduction for health insurance premiums paid by self-employed is 100% in 2003.   **4. Optional standard mileage rate**   * Use of auto for business purposes: 36 cents per mile.   **5. Increased section 179 expensing under the 2003 Tax Act**   * Maximum amount that may be deducted under section 179 is increased to $100,000 for property placed in service for tax years 2003, 2004, and 2005 (increased from $25,000). * Deduction reduced by amount by which cost of qualifying property placed in service during the year exceeds $400,000 (increased from $200,000).   **6. Special additional first-year depreciation allowance for certain property under the 2003 Tax Act**   * Special additional (bonus) first-year depreciation deduction equal to 50% of the adjusted basis of qualified property acquired after May 5, 2003 and before January 1, 2005, and placed in service prior to January 1, 2006. * The Job Creation and Worker Assistance Act of 2002 provided for 30% special additional first-year depreciation. * Property is not eligible for both the 50% and 30% special additional first-year depreciation.   **7. Tax on accumulated earnings and personal holding company income under the 2003 Tax Act**   * The tax rate on accumulated earnings and personal holding company income is reduced to 15% under the 2003 Tax Act. Previously, these items were taxed at the highest marginal personal income tax rate.   **Estate Planning**  **1. Gift/transfer tax exclusions**   * The annual gift tax exclusion is $11,000 ($22,000 for spouses). * The annual exclusion for gifts to noncitizen spouses is $112,000. * The generation-skipping transfer tax (GSTT) exemption is $1,120,000.   **2. Special use valuation reduction limit**   * The limit on the decrease in value that can result from the use of special valuation increases to $840,000 in 2003.   **3. Qualified conservation easement exclusion**   * If requirements are met, the executor of the estate of a taxpayer dying after 1997 may elect to exclude up to 40% of the value of land subject to a qualified conservation easement. The amount that may be excluded from the gross estate is $500,000 in 2003.   image  **Protection Planning**  **1. Long-term care insurance (LTCI)**   * Qualified LTCI premiums are deductible as medical expenses within the following limits:  |  |  | | --- | --- | | **Age** | **Limit on deduction** | | 40 or less | $250 | | 41-50 | $470 | | 51-60 | $940 | | 61-70 | $2,510 | | 71 and over | $3,130 |  * Qualified LTCI benefits are excludable from income (as amounts received for personal injuries and sickness), subject to a per diem limitation of $220.   **Government Benefits**  **1. Social Security (general information)**   * Amount of earnings required for a quarter of coverage will be $890. * Domestic employee coverage threshold will be $1,400. * Average monthly Social Security benefit check for retired workers will increase to $895 in January 2003. * Maximum monthly benefit for a low-income couple (SSI) will increase to $829. * Maximum monthly benefit for a low-income beneficiary (SSI) will increase to $552. * Full retirement age increases to 65 years and 2 months. * Annual maximum earnings for Social Security beneficiary under full retirement age without a reduction in benefits (retirement earnings test) will be $960 monthly ($11,520 annually). One dollar in benefits will be withheld for every $2 in earnings above the limit. One dollar in benefits will be withheld for every $3 in earnings in excess of the earnings threshold in the calendar year of attaining age 65. * The 2003 Social Security monthly PIA (primary insurance amount) formula will be 90% of the first $606 of AIME (average index monthly earnings), plus 32% of the AIME over $606 and through $3,653, plus 15% of the AIME over $3,653.   **2. Earnings subject to Social Security taxes (taxable wage base)**   * Maximum annual earnings subject to Social Security taxes rises to $87,000 in 2003. * Social Security and Medicare combined tax rate remains at 15.3% (same as 2002), while the 6.2% OASDI (Old Age, Survivors, and Disability Insurance) tax rate applies to wages up to the new $87,000 wage base.   **3. Medicare (general information)**   * Medicare Part B premiums rise to $58.70 per month in 2003. * Medicare Part B deductible remains at $100 (same as 2002). * Medicare Part A monthly premium will be $316 for individuals with less than 30 quarters of Medicare-covered employment and for disabled individuals under age 65 who lost disability benefits because of work and earnings. * Medicare Part A monthly premiums for seniors with 30 to 39 quarters of Medicare-covered employment will be $174.   **4. Medicare Part A deductibles for inpatient hospital care**   * Deductible for up to 60 days of inpatient hospital care (fee-for-service Medicare) will increase to $840. * Deductible for 61 to 90 days will be $210 per day. * Deductible for 91 to 150 days will be $420 per day. * Deductible for beneficiaries in a skilled nursing facility in a benefit period will be $105 per day for the 21st through 100th day of extended care services.   **Other**  **1. Qualified funeral trusts**   * Contributions to a qualified funeral trust may not exceed $7,800. |