

THE JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003
PUBLIC LAW 108-27

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On May 28, 2003 President George W. Bush signed into law **Public Law 108-27, The Jobs and Growth Tax Relief Reconciliation Act of 2003**. This bill is commonly referred to as the 2003 Tax Cut. This is regarded as the third largest tax cut in U.S. history, surpassed only by the Reagan tax cut of the early 1980's, and the 2001 tax cut which President Bush pushed through Congress. The intent of the bill is to reduce taxes paid by individuals and businesses and stimulate the economy..

Public law 108-27 provides for tax cuts totaling \$350 billion, with \$320 billion in tax reduction and \$20 in billion tax relief to the states, including \$10 billion in Medicaid assistance. Under this Bill taxpayers will see the results almost immediately in the form of new income tax withholding due to lower tax rates.

Initially, President Bush had proposed tax cuts totaling \$726 billion. However, this was scaled back to \$550 billion in the House of Representatives, and to \$350 billion in the U. S. Senate. Public Law 108-27, which was agreed to by the House-Senate conferees, passed the House of Representatives by a vote of 231-220, and the Senate by a vote of 51-50. The tie-breaking vote in the Senate was cast by Vice President Dick Cheney.

MAJOR PROVISIONS IMPACTING INDIVIDUALS AND HOUSEHOLDS

Some of the major provisions of the law affecting individual taxpayers and households are:

Tax Rate Changes

- a. Prior tax rate brackets of 27%, 30%, 35% and 38.6% are reduced to 25%, 28%, 33% and 35%, respectively.
- b. The 15% tax rate bracket for married taxpayers filing jointly and qualified widow(ers) is expanded to twice that of single filers. The maximum taxable income subject to the 10% tax rate has been increased to \$7,000 for single taxpayers and married taxpayers filing separately, and to \$14,000 for married taxpayers and widow(ers).

Increase in the Standard Deduction

- a. The basic standard deduction for married taxpayers filing jointly and qualified widower(s) is increased to \$9,500.
- b. The standard deduction for married taxpayers filing separately is increased to \$4,750, the same as single taxpayers.

Increase in Child Tax Credit

The maximum per child tax credit is increased from \$600 to \$1,000. Beginning on July 26, 2003, checks will be mailed to taxpayers who claimed the child tax credit for 2002. The checks are an advance payment on the increased portion of the child tax credit for 2003, up to a maximum of \$400

per child. This is based on information submitted on the 2002 income tax return, using the number of qualifying children under age 17 as of December 31, 2003. No action is required by any taxpayer to receive an advance payment check. Any advance payment that is more than the child tax credit for 2003 does not have to be repaid.

Reduction in the top rate on dividends and capital gains

Tax rates on stock dividends and long-term capital gains are reduced from 20 percent to 15 percent for upper income taxpayers, and to 5 percent for lower income taxpayers (those in the 10 percent and 15 percent brackets). Dividends and capital gains tax cuts are due to expire at the end of 2008.

BUSINESSES CHANGES

Some of the provisions impacting businesses are:

Depreciation Allowance on Equipment and Capital Purchases

1. The special first year depreciation allowance is increased from 30% to 50% for qualified property acquired after May 5, 2003 (except for property acquired under a binding written contract in effect before May 6, 2003).
2. The depreciation limit for vehicles subject to the 50% allowance is increased by \$7,650.
3. The limit on **Section 179** expense deduction election is increased to \$100,000 for qualified property (\$135,000 for qualified zone property, qualified renewal property, or qualified New York Liberty Zone property). This limit is reduced by the amount by which the cost of Section 179 property placed in service during the year exceeds \$400,000.
4. The definition of **Section 179** property is expanded to include off-the-shelf computer software.

REVISED TAX SCHEDULES FOR 2003

Revised tax schedules for 2003 are as follows:

	If TAXABLE INCOME		The TAX Is		Of the Excess Over
	THEN				
	Is Over	But Not Over	This Amount	Plus This %	
SCHEDULE X –					
Single	\$ 0.00	\$ 7,000.00	\$ 0.00	10%	\$ 0.00
	\$ 7,000.00	\$ 28,400.00	\$ 700.00	15%	\$ 7,000.00
	\$ 28,000.00	\$ 68,800.00	\$ 3,910.00	25%	\$ 28,400.00
	\$ 68,800.00	\$143,500.00	\$14,010.00	28%	\$ 68,800.00
	\$143,500.00	\$311,950.00	\$34,926.00	33%	\$143,500.00
	\$311,950.00	--	\$90,514.50	35%	\$311,950.00
SCHEDULE Y-1 –					
Married Filing Jointly or Qualifying Widow (er)	\$ 0.00	\$ 14,000.00	\$ 0.00	10%	\$ 0.00
	\$ 14,000.00	\$ 56,800.00	\$ 1,400.00	15%	\$ 14,000.00
	\$ 56,800.00	\$114,650.00	\$ 7,820.00	25%	\$ 56,800.00
	\$114,650.00	\$174,700.00	\$22,282.50	28%	\$114,650.00
	\$174,700.00	\$311,950.00	\$39,096.50	33%	\$174,700.00
	\$311,950.00	---	\$84,389.00	35%	\$311,950.00
SCHEDULE Y-2 –					
Married Filing Separately	\$ 0.00	\$ 7,000.00	\$ 0.00	10%	\$ 0.00
	\$ 7,000.00	\$ 28,400.00	\$ 700.00	15%	\$ 7,000.00
	\$ 28,400.00	\$ 57,325.00	\$ 3,910.00	25%	\$ 28,400.00
	\$ 57,325.00	\$ 87,350.00	\$11,141.25	28%	\$ 57,325.00
	\$ 87,350.00	\$155,975.00	\$19,548.25	33%	\$ 87,350.00
	\$155,975.00	---	\$42,194.50	35%	\$155,975.00
SCHEDULE Z –					
Head of Household	\$ 0.00	\$ 10,000.00	\$ 0.00	10%	\$ 0.00
	\$ 10,000.00	\$ 38,050.00	\$ 1,000.00	15%	\$ 10,000.00
	\$ 38,050.00	\$ 98,250.00	\$ 5,207.50	25%	\$ 38,050.00
	\$ 98,250.00	\$159,100.00	\$20,257.50	28%	\$ 98,250.00
	\$159,100.00	\$311,950.00	\$37,295.50	33%	\$159,100.00
	\$311,950.00	---	\$87,736.00	35%	\$311,950.00