



Get Your Piece Of The 2003 Tax Cut Pie

(NAPSA)—As taxpayers prepare for another tax season, they may be in for a few surprises. In 2003, Congress passed the third largest tax cut package in U.S. history. With reduced tax rates, expanded tax brackets and increased credits, the new law has something for nearly everyone. That's the good news. The bad news is the new tax law comes with some complicated twists and turns making it difficult for the average taxpayer to navigate.

"Taxpayers run the risk of missing tax breaks designed to help them keep more of their money," said Jackie Perlman, senior tax analyst at H&R Block. "This year, more than ever, taxpayers might want to seek advice from a tax professional who is trained to understand the ins and outs of the new tax laws."

Reduction of tax rates

One of the biggest changes, and one that affected most taxpayers, is the reduction in tax rates and the expansion of the 10 percent bracket. The nice thing about the rate cuts is that they took effect almost instantly, with employers switching to the new withholding rates by July 1, 2003. Even nicer, from the taxpayer's perspective, is that the new lower rates were retroactive to January 1, 2003. So many of you can expect a refund, or a lower tax bill, when you file your 2003 returns because you overpaid for the first six months of the year.

Marriage penalty relief

Another welcome change is a boost in the standard deduction to \$9,500 for married taxpayers who file a joint return. That's twice the amount allowed for single filers, which also increased to \$4,750. Taxpayers may need to calculate their return a couple of ways to determine if the higher standard deduction is more beneficial than itemizing.



Working with a tax professional may be the best way to take advantage of the new tax law.

Advance Child Tax Credit

The tax bill also increased the Child Tax Credit from \$600 to \$1,000 for many filers. Last summer, the government gave qualifying families an advance on that credit of up to \$400. If you received an advance payment check, you must subtract that amount when figuring the Child Tax Credit on your 2003 return. Most important to remember, the advance payment is not taxed as income. It simply is an increase in the value of the credit that you received early rather than having to wait until you filed your 2003 return.

Of course there are many other tricky changes in the tax package that might affect you: the lower rates on dividends and capital gains, changes in the Alternative Minimum Tax and the new benefits to small business owners, just to name a few. Many of these changes are also temporary and begin to disappear in 2005. So, the key to taking advantage of these newest, accelerated tax changes is to act now.

The new tax law changes can benefit you significantly, but only if you understand them and know how to claim them. Working with both a tax professional and financial advisor will ensure that you're on the right financial path and taking advantage of every tax break along the way.