



**SUMMARY OF CONFERENCE AGREEMENT ON H.R. 2,
THE “JOBS AND GROWTH TAX RELIEF RECONCILIATION ACT OF 2003”**

I. ACCELERATION OF CERTAIN PREVIOUSLY ENACTED TAX REDUCTIONS

A. Accelerate the Increase in the Child Tax Credit

Under present law, the child tax credit is scheduled to be \$600 for 2003 and 2004. The conference agreement increases the amount of the child tax credit to \$1,000 for 2003 and 2004. After 2004, the amount of the credit reverts to the level provided under present law. For 2003, the increased amount of the child tax credit (up to \$400) will be paid in advance, beginning in July 2003, based on the information contained in the taxpayer’s return for 2002.

The provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2005.

B. Accelerate Marriage Penalty Relief

1. Standard deduction marriage penalty relief

The conference agreement provides that the basic standard deduction amount for married taxpayers filing a joint return is twice the basic standard deduction amount for single individuals for 2003 and 2004. For taxable years beginning after 2004, the relationship between the standard deduction for joint filers and single filers reverts to present law.

The provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2005.

2. Accelerate the expansion of the 15-percent rate bracket for married couples filing joint returns

The conference agreement increases the size of the 15-percent regular income tax rate bracket for married taxpayers filing joint returns to twice the width of the 15-percent regular income tax rate bracket for single returns for taxable years beginning in 2003 and 2004. For taxable years beginning after 2004, the rate brackets revert to present law.

The provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2005.

C. Accelerate Reductions in Individual Income Tax Rates

Ten-percent regular income tax rate

The conference agreement accelerates the increase in the taxable income levels of the 10-percent rate bracket so that the income levels currently scheduled for 2008 become effective in 2003 and 2004. Thus, for 2003, the taxable income level for the 10-percent regular income tax rate bracket for single individuals is increased from \$6,000 to \$7,000, and for married taxpayers filing a joint return from \$12,000 to \$14,000. For 2004, these amounts are indexed for inflation. For taxable years beginning after December 31, 2004, the taxable income levels for the 10-percent rate bracket revert to the levels provided under present law.

The provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2005.

Reduction of other regular income tax rates

The conference agreement accelerates the reductions in the regular income tax rates in excess of the 15-percent regular income tax rate that are scheduled for 2004 and 2006. Thus, for 2003 and thereafter, the regular income tax rates in excess of 15 percent are 25 percent, 28 percent, 33 percent, and 35 percent.

The provision is effective for taxable years beginning after December 31, 2002. The provision does not modify the application of the present-law sunset to the rate reductions as contained in the Economic Growth and Tax Relief Reconciliation Act of 2001.

Alternative minimum tax exemption amounts

The conference agreement increases the alternative minimum tax exemption amount for married taxpayers filing a joint return and surviving spouses to \$58,000, and for unmarried taxpayers to \$40,250 for taxable years beginning in 2003 and 2004.

The provision is effective for taxable years beginning after December 31, 2002, and before January 1, 2005.

II. GROWTH INCENTIVES FOR BUSINESS

A. Special Depreciation Allowance for Certain Property

The conference agreement provides an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified property. Qualified property is defined in the same manner as for purposes of the 30-percent additional first-year depreciation deduction provided by the Job Creation and Workers Assistance Act of 2002, except that the applicable time period for acquisition (or self construction) of the property is modified.

In general, in order to qualify for the 50-percent additional depreciation deduction, the property must be acquired after May 5, 2003, and before January 1, 2005. Property does not qualify if there was a binding written contract for the acquisition in effect before May 6, 2003.

Property for which the 50-percent additional first-year depreciation deduction is claimed is not eligible for the 30-percent additional first-year depreciation deduction.

The provision is effective for taxable years ending after May 5, 2003.

B. Increase Section 179 Expensing

The conference agreement provides that the maximum dollar amount that may be deducted under section 179 is increased to \$100,000 for property placed in service in taxable years beginning in 2003, 2004, and 2005. In addition, for purposes of the phase-out of the deductible amount, the \$200,000 amount is increased to \$400,000 for property placed in service in taxable years beginning in 2003, 2004, and 2005. The dollar limitations are indexed annually for inflation for taxable years beginning after 2003 and before 2006. The provision also includes off-the-shelf computer software placed in service in a taxable year beginning in 2003, 2004, or 2005 as qualifying property. With respect to taxable years beginning in 2003, 2004, and 2005, the provision permits taxpayers to make or revoke expensing elections on amended returns without the consent of the Commissioner.

The provision is effective for taxable years beginning after December 31, 2002.

III. REDUCTIONS IN TAXES ON CAPITAL GAINS AND DIVIDENDS

A. Reduce Individual Capital Gains Rates

The conference agreement reduces the 10- and 20-percent rates on net capital gains to five (zero, in 2008) and 15 percent, respectively. These lower rates apply to both the regular tax and the alternative minimum tax. The lower rates apply to assets held more than one year.

The provision applies to sales and exchanges (and payments received) on or after May 6, 2003, and before January 1, 2009.

B. Dividend Tax Relief for Individuals

Under the conference agreement, dividends received by an individual shareholder from domestic and qualified foreign corporations generally are taxed at the same rates that apply to capital gains. This treatment applies for purposes of both the regular tax and the alternative minimum tax. Thus, under the provision, dividends will be taxed at rates of five (zero, in 2008) and 15 percent.

The provision applies to dividends received in taxable years beginning after 2002 and before 2009.

IV. TEMPORARY STATE FISCAL RELIEF FUND

The conference agreement provides relief to States by establishing a temporary fund to provide \$10 billion divided among the States to be used for essential governmental services, and \$10 billion for Medicaid (FMAP).

The provision is effective on the date of enactment.

V. CORPORATE ESTIMATED TAXES

The conference agreement provides that, with respect to corporate estimated tax payments due on September 15, 2003, 17 percent is required to be paid by October 1, 2003.

The provision is effective on the date of enactment.