



# Jim Lange's 2003 Tax Planning Card

James Lange CPA/Attorney

Providing Information to IRA Owners

## 2003 Pre-JGTRRA QUICK CALC

(Only Shown for Comparison)

MARRIED FILING JOINTLY  
Or QUALIFYING WIDOW(ER)

Taxable Income (\$)	X%	Less (\$) = Tax
\$ 0 - 12,000	x 10%	\$ 0 = Tax
12,001 - 47,450	x 15%	600 = Tax
47,451 - 114,650	x 27%	6,294 = Tax
114,651 - 174,700	x 30%	9,734 = Tax
174,701 - 311,950	x 35%	18,469 = Tax
311,951 - and above	x 38.6%	29,699 = Tax

SINGLE

Taxable Income (\$)	X%	Less (\$) = Tax
\$ 0 - 6,000	x 10%	\$ 0 = Tax
6,001 - 28,400	x 15%	300 = Tax
28,401 - 68,800	x 27%	3,708 = Tax
68,801 - 143,500	x 30%	5,772 = Tax
143,501 - 311,950	x 35%	12,947 = Tax
311,951 - and above	x 38.6%	24,177 = Tax

HEAD of HOUSEHOLD

Taxable Income (\$)	X%	Less (\$) = Tax
\$ 0 - 10,000	x 10%	\$ 0 = Tax
10,001 - 38,050	x 15%	500 = Tax
38,051 - 98,250	x 27%	5,066 = Tax
98,251 - 159,100	x 30%	8,014 = Tax
159,101 - 311,950	x 35%	15,969 = Tax
311,951 - and above	x 38.6%	27,199 = Tax

MARRIED FILING SEPARATELY

Taxable Income (\$)	X%	Less (\$) = Tax
\$ 0 - 6,000	x 10%	\$ 0 = Tax
6,001 - 23,725	x 15%	300 = Tax
23,726 - 57,325	x 27%	3,147 = Tax
57,326 - 87,350	x 30%	4,867 = Tax
87,351 - 155,975	x 35%	9,235 = Tax
155,976 - and above	x 38.6%	14,850 = Tax

## 2003 Post JGTRRA QUICK CALC

MARRIED FILING JOINTLY  
Or QUALIFYING WIDOW(ER)

Taxable Income (\$)	X%	Less (\$) = Tax
\$ 0 - 14,000	x 10%	\$ 0 = Tax
14,001 - 56,800	x 15%	700 = Tax
56,801 - 114,650	x 25%	6,380 = Tax
114,651 - 174,700	x 28%	9,820 = Tax
174,701 - 311,950	x 33%	18,555 = Tax
311,951 - and above	x 35%	24,794 = Tax

SINGLE

Taxable Income (\$)	X%	Less (\$) = Tax
\$ 0 - 7,000	x 10%	\$ 0 = Tax
7,001 - 28,400	x 15%	350 = Tax
28,401 - 68,800	x 25%	3,190 = Tax
68,801 - 143,500	x 28%	5,254 = Tax
143,501 - 311,950	x 33%	12,429 = Tax
311,951 - and above	x 35%	18,668 = Tax

HEAD of HOUSEHOLD

Taxable Income (\$)	X%	Less (\$) = Tax
\$ 0 - 10,000	x 10%	\$ 0 = Tax
10,001 - 38,050	x 15%	500 = Tax
38,051 - 98,250	x 25%	4,305 = Tax
98,251 - 159,100	x 28%	7,253 = Tax
159,101 - 311,950	x 33%	15,208 = Tax
311,951 - and above	x 35%	21,447 = Tax

MARRIED FILING SEPARATELY

Taxable Income (\$)	X%	Less (\$) = Tax
\$ 0 - 7,000	x 10%	\$ 0 = Tax
7,001 - 28,400	x 15%	350 = Tax
28,401 - 57,325	x 25%	3,190 = Tax
57,326 - 87,350	x 28%	4,910 = Tax
87,351 - 155,975	x 33%	9,278 = Tax
155,976 - and above	x 35%	12,398 = Tax

Net long-term capital gains and qualifying dividend income will reduce computed Quick Calc tax liability.

## SAMPLE CALCULATION for a 2003 MARRIED TAXPAYER

For a married couple with taxable income of \$70,000 refer to the MARRIED FILING JOINTLY section of the 2003 chart. See \$56,801—114,650 and calculate as follows:

$$\$70,000 \times 25\% = \$17,500 - \$6,380 = \$11,120$$

### CALCULATION of TAXABLE INCOME

To determine taxable income, please follow these steps:

- List gross income.
- Subtract adjustments to income. (Adjustments include allowable IRA/SEP/Keogh deduction, alimony paid, one half of self-employment tax, and other adjustments.)
- You now have adjusted gross income (A.G.I.).
- Subtract the larger of the standard deduction or your itemized deductions.
- Subtract your deduction for personal exemptions.
- Arrive at taxable income.
- Make adjustments for dividends and capital gains.

### REDUCTION in TAX RATES on CAPITAL GAINS and QUALIFYING DIVIDENDS

As of May 6, 2003, the maximum capital gains tax rate for most capital assets is 15%. The maximum tax rate on qualifying dividends is also 15%.

### SUMMARY of JOBS and GROWTH TAX RELIEF RECONCILIATION ACT of 2003 (JGTRRA)

Visit <http://rothira-advisor.com/jgtrra.htm> to review a complete summary of Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA).

## PERSONAL EXEMPTIONS

Personal exemptions are the amount you may deduct for yourself, your spouse, and your dependents.

For 2003, the personal exemption deduction is \$3,050, respectively.

High income taxpayers will suffer phase-outs of their exemptions and dependents.

## PENNSYLVANIA INCOME TAXES

### PA Individual Income Tax

The Pennsylvania individual income tax rate remains at 2.8% for 2002 and 2003.

### PA Corporate Tax

The Corporate Tax rate is 9.99% for 2002. However, the income from S corporations flows through to the shareholders and is taxed at the effective individual rate of 2.8% for 2002. The Capital Stock Tax rate is 7.24 mills in 2002. The minimum capital stock tax has been repealed for years beginning after December 31, 1999.

## ESTATE and INHERITANCE TAXES

### Pennsylvania Inheritance Tax

Pennsylvania taxes transfers to lineal heirs (such as children, grandchildren, parents and grandparents) at a rate of 4½%. Transfers to siblings are taxed at 12% and all other transfers are taxed at 15%. Transfers to a surviving spouse, and from a child 21 years or younger back to a parent are not taxed.

### Federal Estate and Gift Tax

Between 2001 and 2010, the unified credit shelter amount, i.e., the amount from an estate that can be transferred at death without incurring federal estate taxes, will increase according to the following schedule:

2001	\$ 675,000
2002	1,000,000
2003	1,000,000
2004	1,500,000
2005	1,500,000
2006	2,000,000
2007	2,000,000
2008	2,000,000
2009	3,500,000
2010	*See Below
2011	1,000,000

The gift tax exclusion for 2002 and 2003 is \$11,000/year per donee.

*\* Full repeal of estate tax; gift tax at top income tax rate*

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## 2003 STANDARD DEDUCTIONS

The standard deduction is the amount that you may deduct if you do not itemize your deductions.

	Pre-JGTRRA 2003 Standard Deduction	Pre-JGTRRA 2003 + Age 65 or Over or Blind (EACH)	Post- JGTRRA 2003 Standard Deduction	Post- JGTRRA 2003 + Age 65 or Over or Blind (EACH)
Married Filing Jointly				
Qualifying Widow(er)	\$7,950	\$ 950	\$9,500	\$ 950
Single	4,750	1,150	4,750	1,150
Head of Household	7,000	1,150	7,000	1,150
Married Filing Separately	3,975	950	4,750	950

## SOCIAL SECURITY/SELF-EMPLOYMENT TAX

	Taxable Wages	(%)	Maximum Amount	S.E. (%)	Maximum S.E.
2003	\$ 0 - 87,000	7.65%	\$6,656	15.3%	\$13,311
2003	87,001 and above	1.45%	unlimited	2.9%	unlimited

Please note that there are three components of Social Security Tax:

1. Social Security Tax	5.60%
2. Disability	.60%
3. Medicare Hospital	<u>1.45%</u>
Paid by Employees & Employers	7.65%*

\*The Self-Employment Tax is twice this amount. Also note that one-half of the self-employment tax is deductible as an adjustment to income.

## 2003 MAXIMUM RETIREMENT PLAN CONTRIBUTIONS

Plan Type	2003	2003 Age 50 or Over	2003 Compensation
Roth IRA	\$3,000	\$3,500	100%
IRA	\$3,000	\$3,500	100%
SEP (Self-Employed)	40,000	40,000	20%
SEP (Employee)	40,000	40,000	100%
403(b) (Employee)	12,000	14,000	100%
Self-Employed Profit Sharing Plan (Keogh)	40,000	40,000	20%
Self-Employed Money Purchase Plan (Keogh)	40,000	40,000	20%
401(k) (Employee and Self-Employed)	12,000	14,000	100%
SIMPLE	8,000	9,000	100%

No major changes in 2003.  
Find the right plan and do it! Pay Taxes Later.™



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James Lange, CPA/Attorney, provides complimentary e-mail newsletters and web sites packed with information on how to get the most from your IRA and retirement plan.

His workshops receive the highest praise. If you are interested in knowing how you can hear Jim or get tapes and the handouts from Jim's workshops, please e-mail us at [admin@rothira-advisor.com](mailto:admin@rothira-advisor.com)

Sincerely,

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