

## ***MORE MONEY...MORE MONEY...MORE MONEY – How Will The New Tax Law Affect You And Your Business?***

*By The WS+B Tax Department*

We're sure you've heard or read about passage of the Jobs and Growth Tax Relief Reconciliation Act of 2003. Naturally, the first question in your mind is, "How am I affected by this new law?" We have provided a brief description of the key changes below, but please also note that your WS+B tax advisor is ready to assist you in developing an optimal plan to meet your specific needs.

**Your income will be taxed at lower rates.** For regular tax purposes, the first "slice" of your taxable income is taxed at 10%, and additional slices of taxable income are taxed at progressively higher rates until you reach the maximum rate. The various "slices" of taxable income, and the tax rates each is subject to, are commonly referred to as the "tax brackets." All of the following tax rate cuts apply retroactively to Jan. 1, 2003:

- Expansion of the 10% tax bracket by \$1,000 (\$2,000 if married filing a joint return)
- Expansion of the 15% tax bracket for married couples filing jointly
- Reduction of additional tax brackets:
  - 27% bracket drops to 25%
  - 30% bracket drops to 28%
  - 35% bracket drops to 33%
  - 38.6% bracket drops to 35%

**How much will all of these tax rate changes save you?** The answer depends on how much taxable income you have and your filing status. The tax savings will be higher if your taxable income included dividends or capital gains (taxed at a lower rate under the new law, see below). Additional tax savings will be realized if you are entitled to an enhanced child tax credit. Payroll withholding will reflect the new law as soon as employers and payroll processors put new withholding tables into effect.

**Bigger standard deduction for joint filers.** If you are married, file a joint return, and don't itemize your deductions, your basic standard deduction

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for 2003 is \$9,500, a \$1,550 increase. There's no increase in the additional standard deduction amounts for elderly and blind persons.

**Bigger alternative minimum tax (AMT) exemptions.** The alternative minimum tax, which is payable only if it exceeds your regular tax bill, is a hazard because many tax breaks ("preferences") allowed for purposes of calculating regular taxes are disallowed for AMT purposes. The "preferences" are added back to regular taxable income, an AMT exemption amount (which phases out at higher income levels) is subtracted, and the balance is subject to an AMT rate of 26% or 28%. The new law increases the maximum AMT exemption amount to \$58,000 for married couples filing jointly (a \$9,000 increase), to \$40,250 for unmarried individuals (a \$4,500 increase), and to \$29,000 for married individuals filing separate returns (a \$4,500 increase).

**Boosted child tax credit, partially refundable for 2003.** The child tax credit for 2003 is \$1,000 per qualifying child (a \$400 increase over the prior-law \$600 amount). What's more, the increased amount of the child tax credit will be paid "in advance" beginning in mid-July over a period of three weeks. The new law didn't change the income levels at which the child credit starts to phase out (\$75,000 for singles, \$110,000 for married couples, and \$55,000 for married couples filing separately).

**Reduced taxes on capital gains and dividends.** For sales and exchanges after May 5, 2003, gains on most capital assets held longer than one year will be taxed at a maximum rate of 15% (instead of 20%). The maximum tax rate on capital gains drops to 5% (instead of 10%), if it would otherwise be taxed at 10% or 15%. In addition, "qualified dividends" you receive in 2003 are taxed at the same rates that apply to capital gains. These new capital gain and dividend rates apply for both the regular tax and the AMT.

**How will your business be affected?** Business tax breaks include a greatly expanded Section 179 expensing election for tax years beginning in 2003, 2004 and 2005: the maximum amount that may be expensed increased from \$25,000 to \$100,000 and off-the-shelf software may now be expensed, among other changes. There is greatly enhanced bonus depreciation including 50% bonus depreciation for property acquired after May 5, 2003, and before 2005, and larger first-year depreciation for passenger autos that are qualifying property. The new law also includes a change in the estimated tax installment due date from September 15, 2003 to October 1, 2003.

**What the future holds in store.** Unfortunately, to meet budget constraints many of the tax breaks in the new law are not permanent. Unless Congress changes the rules again, many of the new tax breaks will "sunset" after 2004. The reduced tax rates for capital gains and dividends will only last through the end of 2008. **This will make it much harder for all of us to plan for the long haul.**

Your first step should be to examine the new law's immediate effect on you, your family, your investments, and your business and then come up with a game plan for the future – and **WS+B can help**. Please call us to set up an appointment.

## **SUMMER'S HERE!** **Time For Sun, Fun...and Mid-Year Planning?**

By Kimberlee S. Phelan, CPA, MBA

Summer is the time for lazing around and forgetting all your worries, right? Actually, it's the perfect time to review your business and personal financial goals and get plans in place before the end of another year sneaks up on you. What are your priorities? Do they include building personal wealth, maximizing your pension, planning for retirement, organizing your estate, business continuation, or investment planning?

WS+B can help you! Please review the following questions, then give us a call to assist you in developing or managing your business, financial, estate and retirement plans.

### *Financial Outlook:*

- Do you know what you want to accomplish financially?
- Do you maintain a list of your current assets and liabilities?
- Do you clearly understand all of your investments, goals and finances?
- Do you understand how your investments impact your tax liability?
- Do you need assistance in organizing your financial planning?

### *Retirement Planning:*

- Have you projected your retirement income needs and sources?
- Do you understand “tax deferral,” “tax deduction” and “compounded growth”?
- Do you have a specific distribution strategy for your retirement funds?
- Do you need assistance in organizing your retirement plans?

### *Estate Organization:*

- Are you well informed about estate planning?
- Do you have a current, valid will or trust in your files?
- Do you understand the terms “estate” and “inheritance tax” and how they affect your estate planning?
- Do you need assistance in organizing your estate plans?

### *Insurance Planning:*

- Do you own and understand a current life insurance policy?
- Do you understand Social Security Death Benefits?
- Have you minimized your insurance costs through long-term planning?
- Do you need assistance with your life insurance planning?

Even if you are comfortable with your answers to all of the questions above, we advise you to contact your tax/financial advisor in the coming months if in the next year you plan to graduate, buy a home, change jobs, sell property, refinance a home, purchase long-term care insurance, get married (or divorced), have a child, retire, pay off a loan, save more money, start a business, purchase/lease property, receive a promotion, receive an inheritance, or create a financial plan. Let the professionals of WS+B lead you to Where your Success Begins!

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#### NEW ADDRESS!

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now located at:

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The phone number  
remains unchanged  
at **215.504.5454**.

## WS+B NAMES TWO NEW SHAREHOLDERS

The firm is pleased to announce **Carl H. Dobes, CPA, MST**, and **Scott J. Mariani, JD**, both members of WS+B's Tax Department, as the firm's newest shareholders.

Carl joined WS+B as a tax manager in 1994 and was promoted to director of tax in 1998. Prior to that he held management positions at Coopers & Lybrand and Price Waterhouse. He completed his BS degree in accounting at Albright College and earned a master of science in tax at Widener University. He is a member of the Pennsylvania Institute of Certified Public Accountants and the AICPA. Carl has also served as a member of the finance committee for the Church of the Holy Trinity and is a former director and treasurer of the Bach Festival of Philadelphia. He and his wife Debbie live in Lansdale, PA. Their twin daughters, Angela and Andrea, both recently completed degrees in chemical engineering from Lehigh University.

Formerly a tax senior manager at Ernst & Young, Scott joined WS+B in 2000. He specializes in providing tax advice to integrated health care delivery systems, hospitals, long-term care facilities, physician groups and other not-for-profit organizations. A graduate of Villanova University with a BS degree in accounting, Scott also received a juris doctor from Seton Hall Law School. He is a member of the American Health Lawyers Association and the Healthcare Financial Management Association. Scott is also a member of the executive board of trustees of the Patriot's Path Council #358 of the Boy Scouts of America. He and his wife Kathleen live in Franklin Lakes with their young son and daughter, Simon and Samantha.