Tax And Financial Planning Calendar 2003 - 2004

December 2003

	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

15 - Sept. 30 Corporate Tax Due
15 - Monthly Depository Due

January 2004

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

15 - Oct. 31 Corporate Tax Due
15 - Monthly Depository Due
31 - Final Personal Estimated Tax Payment Due

February 2004

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29						

2 - 4th Quarter Payroll Taxes Due
16 - Nov. 30 Corporate Tax Due
16 - Monthly Depository Due

Weekly Payroll Deposits for payroll paid on Thursday, Friday and Saturday.
Weekly Payroll Deposits for payroll paid on Monday, Tuesday and Wednesday.

* Make Your Income Tax Appointment ASAP! *

GLK
Gerald L. Kramer, CPA PC
5350 N. 16th St.
Phoenix, AZ 85016
602-264-9331
602-279-1766(fax)

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The New Law And How It Can Affect Individuals And Individual Investors

I'm sure you've heard or read about passage of the Jobs and Growth Tax Relief Reconciliation Act of 2003, and the political controversy it has stirred up. Naturally, the first question in your mind is: "how am I affected by this new law?"

That's the purpose of this letter. It highlights how the new law will cut your tax bill for 2003. It also gives you an idea of the changes that are in store for future years, and why tax and financial planning has become more complex than ever before.

Your income will be taxed at lower rates. For regular tax purposes, the first "slice" of you 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 January 1, 2003:

…If you file as a single person or are a married person filing separately from your spouse, the first $7,000 (instead of $6,000) of your taxable income will be taxed at 10%, the lowest tax rate. Because the extra $1,000 was taxed at 15% under prior law, you save a maximum of $50.

…If you file a joint return, the first $14,000 (instead of $12,000) of your taxable income will be taxed at 10%, the lowest tax rate. Because the extra $2,000 was taxed at 15% under prior law, you save a maximum of $100.

…If you file a joint return, more of your taxable income will be taxed at 15% (instead of winding up in the next highest tax bracket and being taxed at 25%).

…The new law reduces all of the tax rates above 15% for all indi-

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Financial Planning Can Be 'Like Going To The Dentist'

Do you want to know why many people do not bother with a financial planner? There are several reasons.

James Sollisch, a freelance writer and communicator for National Public Radio, laments that he visits his "financial advisor" every few years and likens the experience to "going to the dentist". He states that he can stand the pain; but it's the promises that he makes, and breaks, that are so humiliating.

His promises include upping his 401(K), increasing his contributions to a Roth IRA, building a college fund, and considering long term care insurance. All of these will help secure his future; but he comments that it is at the expense of today.

"You would think financial planning is exactly what we need. But most of what planners recommend is designed to make us feel horrible when we can't afford it…Where did we get this idea that all of us could live like the rich and retire early to a life of plenty if only we made the right investments?", Mr. Sollisch is quoted.

> ***"Most of what planners recommend is designed to make us feel horrible when we can't afford it."***
> ***- James Sollisch***
> ***National Public Radio***

While Mr. Sollisch did not indicate who his financial advisor is, it is obvious to me that there are problems with priorities. The planner had his priorities which apparently were to set up a complete program now. This is a major reason that people do not want to use a financial planner. Do it all immediately, and then I can go onto other people.

A financial planner, such as I, meets with you to:

1) review your current financial status,
2) review with you what your goals and needs are,
3) establish, with you, a priority list of various ways and means

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Did You Know?

Did you ever notice that when you put the two words "THE" and "IRS" together, it spells "THEIRS"?

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viduals (as well as estates and trusts). The new tax rates above 15% are: 25% (instead of 27%), 28% (instead of 30%), 33% (instead of 35%) and 35%, the top rate (instead of 38.6%).

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. For example:

…If you are single with $60,000 of taxable income for 2003, your tax bill will be $682 less. If your taxable income is $120,000, you save $1,882.

…If you are married, file a joint return and have $60,000 of taxable income for 2003, your tax bill will be $1,286 less. If your taxable income is $120,000, you will save $2,486.

The tax savings will be higher if 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 the individual is entitled to an enhanced child tax credit.

Wage-earners will get a larger paycheck as a result of these (and other) changes for individuals. The IRS says 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 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 makes the AMT less of a problem by increasing the maximum AMT exemption amount to $58,000 for marrieds 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. This year, a qualifying family with one child will receive an advance payment check from the Treasury for up to $400, and a qualifying family with two children will receive a check for up to $800. The amount of advance payments will be based on a person's 2002 filing status and income, as well as the number of children claimed on the 2002 tax return who will still be under age 17 in 2003. Note that 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 marrieds filing separately).

Reduced taxes on capital gains and dividends. For sales and exchanges (and installment payments received) after May 5, 2003, gains on most capital assets held longer than one year will be taxed a maximum rate of

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to meet your desires, if possible, and

4) only then can specific details be worked out.

Another reason that people do not use financial planners is the methods of compensation. Most planners receive a commission upon a sale of a product so there is a push to close a sale. Some planners are now going to a fee based compensation plan. After an initial meeting to determine if I can assist you, my fees are normally based on hourly rates. You are free to use any investment advisor, attorney, trust officer, or insurance person you desire, although I may be able to assist with implementation.

To summarize, many planners attempt too ambitious a program with the planner's priorities and compensation coming first. I plan for the client, establishing the clients needs and priorities at a reasonable fee.

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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% (that is, if it were ordinary income such as salary). In addition, dividends you receive in 2003 from a domestic corporation (or certain "qualified foreign corporations") are taxed at the same rates that apply to capital gains. In other words, the dividends are taxed at rates of 15% or 5%. These new capital gain and dividend rates apply for both the regular tax and the AMT.

What the future holds in store. Unfortunately, to meet budget constraints many of the tax breaks in the new law are not permanent. For example, unless Congress changes the rules again, the new tax breaks for marrieds filing jointly (more income taxed in the 15% tax bracket instead of a higher tax bracket, and larger basic standard deduction) are slated to be watered down after 2004, the AMT exemption amounts will drop after 2004, and maximum child tax credit also will drop after 2003. What's more, 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.

Our first step should be to examine the new law's immediate effect on you, your family, and your investments, and then come up with a game plan for the future.

Please call our offices to set up an appointment.

TAX 'Briefs'

The IRS has finally certified the following vehicles as being eligible for the $2,000 "hybrid car" deduction for the years referenced.
Honda Insight - 2000, 2001, and 2002
Honda Civic Hybrid - 2003
Toyota Prius - 2001, 2002, and 2003
For prior year returns, you can file an amended return to claim the deduction.

A new ruling (TPRO3-7) by the Arizona Department of Revenue clarifies the sales tax on auto leases. The tax base does not include reimbursements by the lessee to the automobiles lessor for payments made by the lessor for vehicle title and registration fees, license plate fees and vehicle license taxes, if these amounts are separately stated and billed to the lessee. If you have paid sales taxes on these items, contact your lessor for a refund.

Home Office deduction can cause a problem. Document the use/appearance of home office while it is being used as an office. Take pictures now and file them later in a safe place in case of a future examination. You will be able to show the facility as it is used. I would like to see these pictures.

Beware Of The Joint Ownership Inheritance Trap

Beware of placing property in joint ownership so it will pass to the other joint owner without going through probate ... A Trap ...

Once property is placed in joint ownership, you lose control of the interest in that property. If you later regret the transfer, it is too late to reverse it without the consent of the other owner.

With a will, you can change distributions up until the last minute, as long as you are competent to do so.

Joint property is part of your gross estate and may be subject to estate tax unless the contribution was provided by the surviving joint owner and/or your estate in less than the tax-exempt amount.

However, if most of your property passes by joint ownership, there may not be enough money in the estate for the executor to pay estate taxes. The IRS can then directly pursue any and all heirs who received property from your estate to collect the unpaid tax up to the amount they received.

Nightmare scenario: You place major assets in joint ownership with an heir, who later turns out to be a ne'er-do-well. You cannot get the assets back without his or her consent. When you die, the heir refuses to pay their share of the estate tax - perhaps they can not after squandering what they received. The IRS goes after your other heirs to collect the estate tax due. Lawsuits abound - their cost depletes your estate and only lawyers benefit.

Much better: Consult with an estate planning expert to set up a sound estate plan that will meet your objectives with maximum flexibility and minimum cost. Remember that your will does not govern distributions of joint accounts, and in most cases, retirement accounts as well as any other non-probate assets.