

QUICK REFERENCE: TAX INFORMATION FOR TAXPAYERS – 2003

--**Lower income tax brackets: 2003-04** - 10%; 15%; 25%; 28%; 33%; & 35%

--**Expanded tax brackets:** Additionally, the 10% and 15% tax brackets were expanded by the 2003 Act. For single filers, the income threshold increases to \$7,000 (up from \$6,000) and for married filing jointly to \$14,000 (up from \$12,000). This translates into a \$50.00 benefit for all single filers and an \$100 benefit for joint filers. Absent additional legislation, this change will expire on 1 January 2008.

--**Higher Standard Deductions:** Single or married filing separately - \$4,750; head of household - \$7,000; married filing jointly or qualifying widow(er) - \$9,500. Different amounts apply if the taxpayer or spouse is blind or is age 65 or older, or if the taxpayer can be claimed as a dependent on someone else's return. For more information see your local tax center or <http://www.irs.gov>.

-- **Higher Exemption Amount:** The personal exemption amount for 2003 is \$3,050 – a \$50.00 increase over last year.

--**Filing dates:** 15 April 2004, unless overseas – 15 June 2004, unless in a combat zone (see below).

--**Earned Income Tax Credit (EITC):** Earned income for EITC no longer includes non-taxable income (such as military housing allowances and combat excluded pay). Any military taxpayer with at least one qualifying child, who expects their 2003 AGI will be less than \$29,666 (\$30,666 if filing jointly), or with two or more qualifying children, expects their 2003 AGI will be less than \$33,692 (\$34,692 if filing jointly), or is between 25 and 65 with no children but an AGI less than \$11,230 (\$12,230 if filing jointly) may be eligible for the EITC on their 2003 return. EITC is a refundable credit and could result in a refund of as much as \$4204, even if there was no tax liability. If you receive the EITC credit this year and expect your AGI to be similar in 2004, you may qualify for an advance payment of EIC throughout the 2004 tax year. If eligible for the advance payment, the military taxpayer simply has to complete a [W-5](#) (PDF) and file that with Finance. Also see [Earned Income Credit Eligibility](#).

--**Child Tax Credit:** The Child Tax Credit was raised from a maximum of \$600 to \$1,000 per qualifying child for 2003. To qualify, a child must be under age 17, be a citizen or resident of the US, be claimed as the taxpayer's dependent, and be the taxpayer's (a) child, stepchild, adopted child, or a descendant of any of them; (b) sibling, stepsibling, or a descendant of any of them, whom the taxpayer cared for as his own, or (c) eligible foster child. Many taxpayers qualifying for this credit received an advance payment of up to \$400 per qualifying child in 2003. This advance payment must be subtracted when figuring the 2003 credit amount. A notice was mailed with the advance payment. If you do not have this notice, you can check the IRS Web site at [Your 2003 Advance Child Tax Credit](#) or call the IRS help line at 1-800-829-1040 to get the Advance Child Tax Credit amount.

-- **Child and Dependent Care Credit:** Beginning in 2003, the credit for child and dependent care expenses can be as much as 35% of your qualified expenses. The limit on the amount of qualifying expenses increased to \$3,000 for one qualifying individual and \$6,000 for two or more qualifying individuals. Previously, these amounts were \$2,400 and \$4,800 respectively. This credit is phased out (reduced) if your adjusted gross income is over a certain amount. For more information see [Tax Topic 602, Child and Dependent Care Expenses](#) or [Publication 503, Child and Dependent Care Expenses](#), has more information on this topic.

Capital Gains and Qualified Dividends: The top tax rate for net capital gain on sales of capital assets after 6 May 2003 and for most qualified dividends is generally 5% for individuals in the 10 and 15% brackets and 15% for all others. Qualified dividends should be shown in box 1b of the Forms 1099-DIV or similar statements you receive. If you have qualified dividends, you must figure your tax by completing either [Schedule D \(Form 1040\)](#) or the Qualified Dividends and Capital Gain Tax Worksheet in [the instructions for Form 1040](#) or [the instructions for Form 1040A](#). There is no change to the maximum tax rates that apply to collectibles gain, gain on qualified small business stock and unrecaptured section 1250 gain.

Standard Mileage Rates for 2003:

- Business miles – The standard mileage rate for the cost of operating your car for business miles is 36 cents per mile. [Publication 463, Travel, Entertainment, Gift, and Car Expenses](#), has more information about car expenses and use of the standard mileage rate.
- Medical reasons – The standard mileage rate allowed for use of your car for medical reasons is 12 cents per mile. [Publication 502, Medical and Dental Expenses](#), has information on deductible mileage related to medical expenses.
- Moving – The standard mileage rate allowed for determining moving expenses is 12 cents per mile. [Publication 521, Moving Expenses](#) has information on deductible mileage related to a move.
- Charitable miles – The standard mileage rate allowed for use of your car for qualified charitable reasons is 14 cents per mile. [Publication 526, Charitable Contributions](#), has information on deductible mileage related to charitable contributions.

-- [IRS Tax Tips 2004](#) - see a list of IRS news releases & fact sheets.

Free tax Return Preparation

The military is one of the strongest partners in the IRS Volunteer Income Tax Assistance (VITA) Program. Most installations have a tax assistance center staffed with trained military members or volunteers and will provide **free tax assistance**, to include electronic filing, **to any person holding a valid military identification card**. Call your local legal assistance office to find out about the tax center closest to you. If you are not eligible for assistance at a military tax center other options may be available to you through the IRS free-file program. Information on this program is available at www.irs.gov.

If you electronically file your return and elect to have your refund directly deposited into your bank account, you should receive your refund within 7-10 days.

Items you need to bring to the military tax center or other tax preparer:

- Must bring photo identification
- Social Security cards for you, your spouse, and dependents
- Birth dates for dependents
- Wage and earning statement(s) Form W-2, W-2G, 1099-R, from all employers
- Interest and dividend statements from banks (Forms 1099)
- A copy of last years federal and state tax returns, if available
- Bank Routing Numbers and Account Numbers for Direct Deposit
- Other relevant information about income and expenses
 - Payments for Day Care
 - Day Care providers identifying numbers
 - Educational expenses
 - Medical expenses
 - Home mortgage interest information
 - Charitable Contributions

To file taxes electronically on a married filing joint tax return, both spouses must be present to sign the required form (unless one spouse is currently deployed to a combat zone)

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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">EDUCATION</p>	<p>--Coverdell Education Savings Accounts (ESA) Can Make Education Costs Less Taxing: Annual contribution limit \$2,000 per child. No deduction for contributor, but money grows tax-deferred and tax-free if used for qualified education expenses Contribution phase-out ranges (adjusted gross income): Single \$95,000 - \$110,000; Married \$190,000 - \$220,000 Elementary & secondary school expenses qualify. Contributions may be made up until the original due date of the tax return (normally April 15 of the next year).</p> <p>--College Saving Plans or Section 529 Plans earnings are tax exempt when used to pay for qualified higher education expenses (e.g., tuition, room and board, books and fees, and any other expenses that students are required to pay to attend any accredited college or university).</p> <p>-- Hope or Lifetime Learning Credit: Eligible students may be eligible for a Hope credit of up to \$1,500 or a Lifetime Learning Credit of up to \$2,000 in 2003. The Hope credit is available per qualified student (i.e. the credit could exceed \$1,500 on a tax return provided more than one student was qualified) however; the Lifetime Learning credit is limited to a maximum of \$2,000 per tax return. Both of these credits phase out at adjusted gross income levels between \$83,000 and \$103,000 for married taxpayers filing jointly and between \$41,000 and \$51,000 for all others.</p>	<p>--Use to save money for estimated college costs --Consider Coverdell ESAs for qualified elementary & high school education expenses --Contributions may be made to Coverdell ESAs and Section 529 Plans in the same year for the same beneficiary. --IRS Pub 970, Tax Benefits for Higher Education</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Combat Zone Tax Benefits</p>	<p>Combat zone tax benefits: military members serving in a combat zone may exclude pay for income tax and may extend the period for filing and paying income tax in addition to other benefits. In some instances these benefits are available to members serving outside the combat zone.</p> <p>Combat zones in 2004:</p> <p>Afghanistan area - Executive Order No. 13239 designated Afghanistan (and airspace above) beginning September 19, 2001.</p> <p>Kosovo area - Executive Order (EO) No. 13119 and Public Law 106-21 designated these locations (including air space above) as a combat zone and a qualified hazardous duty area (QHDA) beginning March 24, 1999: Federal Republic of Yugoslavia (Serbia/Montenegro); Albania; The Adriatic Sea; & The Ionian Sea—north of the 39th parallel (including all of airspace in connection with Kosovo operation.) Also see Public Law 104-117 Effective 21 November 1995, QHDA: Bosnia and Herzegovina, Croatia, or Macedonia so long as service members are entitled to receive imminent danger/hostile fire pay under 37 U.S.C. § 310 for service in that location.</p> <p>Persian Gulf area – EO No. 12744 designated these locations (and airspace above) as a combat zone beginning January 17, 1991: The Persian Gulf; The Red Sea; The Gulf of Oman; The part of the Arabian Sea that is north of 10 degrees north latitude and west of 68 degrees east longitude; The Gulf of Aden; and The total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab</p>	<p>The Military Family Tax Relief Act of 2003 provided the extension for filing and paying federal taxes to members serving in contingency operations.</p> <p>Tax forgiveness is available for members whose death occurs in a combat zone or as a result of wounds incurred in a combat zone. For more information on this topic see Publication 3 (2003), Armed Forces Tax Guide.</p> <p>For more information see the IRS website at Questions and Answers on combat zone tax benefits.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Retirement</p>	<p>--Thrift Savings Plan (TSP) /401(k) contribution limit: \$12,000 in 2003.</p> <p>--IRA contribution limit \$3,000 in 2003. Special "catch-up" provision for savers 50 and over to invest up to \$3,500. IRS Pub 590, Individual Retirement Arrangements has more information on this issue. Low- and moderate-income taxpayers who contribute to a traditional IRA may qualify for an adjustment to income for up to \$3,000 for these contributions depending on their earned income and their adjusted gross income. Generally single taxpayers will qualify for a partial or full adjustment if their adjusted gross income is less than \$50,000. Married taxpayers filing jointly will qualify for a full or partial adjustment if their adjusted gross income is less than \$70,000.</p> <p>-- Retirement Savings Contribution Credit: In addition to the adjustment to income available to some taxpayers, a credit may be available for contributions to IRAs, traditional or Roth, 401k, or TSP retirement savings accounts. The maximum credit available for these contributions is \$2,000 and is phased out (reduced) based on the adjusted gross income. For single taxpayers the credit is not available if the adjusted gross income exceeds \$25,000; for head or household the credit is not available if the adjusted gross income exceeds \$37,500; and for married filing jointly the credit is not available if the adjusted gross income exceeds \$50,000.</p>	<p>--Contributions to Military TSP are not taxed in year contributed. They lower your taxable income in contribution year. Next open seasons to enroll: April 15 through June 30 & October through December.) --Use DFAS Employee/Member Self-Service site to enroll in TSP during open seasons</p>

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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">ESTATE</p>	<p>--The 2001 Tax Act gradually eliminates the estate tax by increasing the amount that is exempt from tax over several years, reducing the top rate over several years, and finally repealing the estate tax for individuals dying in 2010. Under current law: no estate tax on the first \$1,500,000 of transfers at death for individuals dying in 2003. The gift tax exemption remained at \$1,000,000. The 2001 Tax Act increases the estate tax exemption in later years, rising to \$3.5 million in 2009, before full repeal in 2010 only. The gift tax exemption remains at \$1,000,000, and the gift tax is not repealed in 2010. Unless Congress changes the law, the estate and gift tax system will return in 2011, with the exemption back to \$1 million for both purposes.</p> <p>--In 2010, no estate tax; top gift tax rate: 35%. (Under current law, the top estate and gift tax rates revert to 55% in 2011.)</p> <p>-- 2003 Tax Law Changes for Trusts and Estates</p> <p>--Legal Services – Estate Planning information Center</p>	<p>--Review your will and related estate plan documents to ensure your assets pass as desired.</p> <p>--(Re-) Evaluate life insurance needs</p> <p>--Individuals who may have an estate over the increasing exemption amount (or the \$1,000,000 amount that will apply for 2011 after estate tax is restored one year after it is repealed) should consult an experienced estate planner.</p> <p>--Keep records on cost basis of assets</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">New Military Tax Benefits</p>	<p>--Military Family Tax Relief Act – This Act was signed into law by President Bush on November 11, 2003 and contains several tax benefits for military members.</p> <p>-- Death Gratuity: The death gratuity paid to a survivor of a member of the Armed Forces who died after September 10, 2001 increased to \$12,000 and is all nontaxable. Previously, the death gratuity was \$6,000 and only \$3,000 was nontaxable. You may be able to claim a refund if you paid tax on a death gratuity you received because of a death that occurred after September 10, 2001.</p> <p>-- Base Realignment: A military base realignment and closure benefit generally is nontaxable if paid to you after November 10, 2003.</p> <p>-- Sale of a home: If you have been a member of the uniformed services, you now may be able to exclude from income a gain from selling your main home, even if you did not live in it for the required 2 years during the 5-year period ending on the date of sale. You can choose to have the 5-year period for ownership and use suspended during any period you or your spouse serves on qualified official extended duty more than 50 miles from your residence. This change applies to any sale of a main home after May 6, 1997, so you may be able to claim a refund if you paid tax on a gain from a sale after that date. Generally, you must file a claim for credit or refund within 3 years from the date you filed your original return or within 2 years from the date you paid the tax, whichever is later. However, the deadline to file a claim based on this rule for 1997, 1998, 1999, or 2000 has been extended to November 10, 2004. More information on selling your home can be found in IRS Pub 523, Selling Your Home.</p> <p>-- Armed Forces Reservists: Beginning in 2003, if you are a member of a reserve component of the Armed Forces, you may be able to deduct some of your reserve-related travel costs as an adjustment to gross income rather than as an itemized deduction. More information can be found in Publication 463, Travel, Entertainment, Gift and Car Expenses, at “Armed Forces Reservists Traveling More than 100 Miles from Home” in Chapter 6.</p> <p>-- Contingency Operations – This Act extended the combat zone filing extensions (not combat tax exclusion) to members of the Armed Forces serving in contingency operations. Members serving in combat zones, areas in direct support of a combat zone or in contingency operations are entitled to an extension of time for filing and paying their federal income tax equal to 180 days after they depart the combat zone or contingency operation plus the number of days served in the combat zone or contingency operation area between January 1 and April 15.</p> <p>-- Qualified tuition programs/Coverdell Education Savings Account: The 10% tax on a qualified tuition program or Coverdell ESA distribution does not apply to attendees of the five military academies, to the extent the distribution does not exceed the costs of advanced education at the academy Publication 970, Tax Benefits for Higher Education, has more information on this issue.</p>	<p>For more information on the provision of this act see Highlights: Military Family Tax Relief Act.</p>