



# Tax, Accounting & Financial Services, Inc.

*Planning for a  
secure financial future*

## Your Investments - Do you have Questions?

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So, you've received your 2nd Quarter, 2003 statement about your investments. Did they go up in value? Should you stay invested in equities? Are you invested in the right equities for your situation? If you moved your assets into cash and bonds, should you get back into equity investments?

Are you confused about your investments? Call Cheryl at

(480) 354-1040 today to make an appointment to discuss your 401(k), IRA's, annuities, life insurance policies or any other investment questions you may have.

Proper asset allocation without overlap is important to your future bottom line. Cheryl can help you review your investments and help you determine what strategy and product is best for your goals,

risk tolerance and time frame.

If you have a 401(k) account sitting at a former employer, contact Cheryl to discuss gaining control over your investments by rolling this money over into an IRA directed by you.

Call today to set an appointment. Bring your statements and we will discuss what you have and where you are going.

## Do You Need a Will or a Living Trust?

An unfortunate misconception is that estate planning is only needed for those who have significant accumulations of wealth. However, the truth is people at all economic levels can benefit from an estate plan.

For instance, a well thought out and executed estate plan can:

- Direct the distribution of your property according to your wishes
- Provide instructions for your care and that of your

loved ones in the event of your death or incapacity

- Leave explicit instructions for the care of your loved ones
- Create protective trusts for your young children, disadvantaged children, adult children and grandchildren

Estate planning saves tax dollars, professional fees and court costs. Most importantly, it keeps you in control of your own affairs. Some estate plans include use of a testa-

mentary will, while others also use a revocable living trust. Whereas a will may not be effective if you move to or own property in another state, a trust does. Using trusts can also avoid probate and its' associated legal costs, keep your affairs private and confidential and help control all of your property.

Call Cheryl today at (480) 354-1040 if you are interested in learning more about estate planning, wills, trusts and powers of attorney.



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## Jobs & Growth Tax Relief Reconciliation Act of 2003

**Child Tax Credit.** For 2003 and 2004, the child tax credit increases from \$600 to \$1,000. The \$400 increase will be paid in advance starting in July for those who have filed a 2002 tax return. The advance will be calculated from information on the taxpayer's 2002 tax return. The amount of the 2003 child tax credit that taxpayers can claim in 2003 will be reduced by the advance payment.

In 2005, the child tax credit is scheduled to fall back to \$700, but will gradually rise to \$1,000 by 2010, under the Economic Growth and Tax Relief Reconciliation Act of 2001.

**Marriage Penalty Relief.** For 2003 and 2004, the standard deduction for married couples will increase to twice the amount of the standard deduction for single taxpayers. For 2003, the standard deduction for single taxpayers remains at \$4,750; for married taxpayers this will rise from \$7,950 to \$9,500.

For 2003 and 2004, the 15% tax bracket will be twice that for joint filers as it is for single filers. After 2004, the 15% tax bracket for joint filers falls to 180% of the maximum taxable income in the same bracket for single individuals, as adjusted for inflation.

**Tax Brackets.** Income levels for the 10% tax bracket are increased to \$7,000 for single taxpayers and to \$14,000 for joint filers for 2003. In 2004, these income levels will be indexed for inflation. This relief is temporary. The old thresholds of \$6,000 and \$12,000 will reappear in 2005.

New tax rates, retroactive to January 1, 2003 are 10%, 15%, 25%, 28%, 33% and 35%.

**Capital Gains Rates.** The maximum capital gain tax rate drops from 20% to 15%. The current 10% rate for lower income taxpayers drops to 5%.

These new rates are effective for sales and exchanges taking place on or after May 6, 2003, and through December 31, 2007.

In 2008, the 15% rate continues and the 5% rate for lower income taxpayers drops to 0%, but only for 2008. On January 1, 2009, the 10% and 20% rates are reinstated.

The lower rates for property held five years or more is effectively repealed until 2009. These rates were 18% (8% for low income taxpayers). The 8% rate is repealed effective May 6, 2003. Those taxpayers who would have qualified for the 18% rate for sales in 2005-2008 receive no additional benefit other than the lower 15% rate.

**Section 179 Expensing.** For 2003, taxpayers can expense up to \$100,000 in qualifying property. The phase-out threshold increases from \$200,000 to \$400,000. For 2004 and 2005, this amount will be indexed for inflation. The new law allows taxpayers to make or revoke a Section 179 expense election without first obtaining the consent of the IRS.

For 2003-2005, taxpayers can expense off-the-shelf computer software under Section 179.

**Bonus Depreciation.** The additional 30% bonus depreciation increases to 50% for qualifying property placed in service after May 5, 2003 and before January 1, 2005. The definition of qualifying property has not changed. Qualifying property must still be brand new property with a class life of 20 years or less. The new law increases the bonus depreciation amount that may be taken with respect to passenger automobiles from \$4,600 to \$7,650.

The 30% bonus depreciation continues to apply to property purchased between September 11, 2001 and May 6, 2003.

**Taxation of Dividends.** Dividends received by an individual shareholder from a domestic or qualified foreign corporation will be taxed in the same manner as capital gain income. This translates to 15% for most taxpayers and 5% for taxpayers at lower income levels.

Although this provision is retroactive to January 1, 2003, it is temporary, terminating on December 31, 2008. The 5% rate terminates on December 31, 2007 and falls to 0% for US tax treaty. Dividends paid only applies to taxpayers in the 10% and 15% tax brackets.

Certain types of dividends are specifically excluded from the definition of "qualified dividend income" for purposes of the new law. The exclusion applies to:

- Dividends paid from a corporation exempt from tax under IRC Section 501 and 521 (charitable

organizations).

- Dividends paid on deposits in a mutual savings bank, credit union, savings and loan, etc.

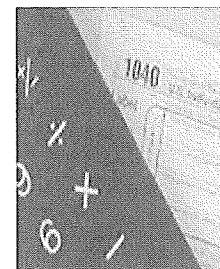
- Any dividend described in IRS Section 404(k).

- Dividends paid under IRC Section 246© that fail to meet the revised holding period.

- The extent that the taxpayer is under a payment obligation under IRS Section 246©.

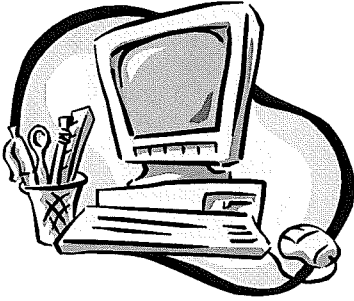
The new tax law also provides additional guidance with regard to dividend income. Dividends are to be treated as investment income (if the taxpayer elects) for purposes of using the investment interest deduction. This appears to mean that taxpayers will not be allowed both the benefit of the lower tax rates and the treatment of this dividend income as net investment income for purposes of deducting investment interest.

A "qualified foreign corporation" is an entity incorporated within a US possession or rate eligible for the benefits of a US tax treaty. Dividends paid by a foreign corporation that are not qualified are eligible for the lower rates if the stock



C&amp;D

## New Service Available at C&D - CD Copies of Tax Returns



Technology changes, and we at C&D Tax, Accounting & Financial Services are changing with it. Beginning with the 2003 tax season, we began to convert to a **paperless office**.

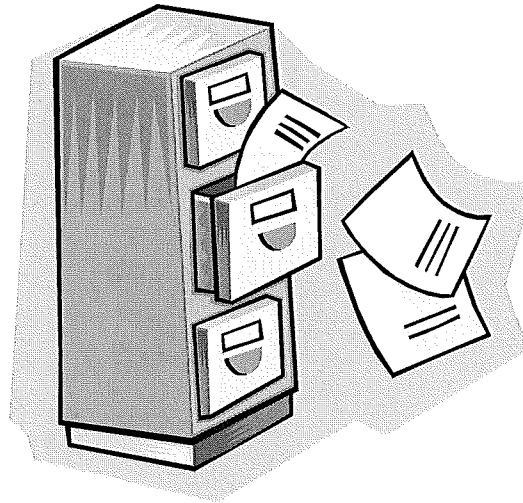
What is a paperless office? In our situation, we are now **scanning** all of your supporting documentation into our **E-Filing Cabinet**, in Adobe PDF format. We are also scanning all signed 8453's (the form you sign to authorize us to electronically file your return). Our copy of your tax return is saved as a PDF file, instead of being printed.

This information is being stored on a computer with mirrored hard drives, and a tape backup is performed each day. We have gone to incredible lengths to ensure that your information is saved and **SAFE!**

**Effective immediately, we will be providing both a paper copy of your return and supporting documentation AND a CD copy of this information.** This will continue through the 2004 tax season.

After the 2004 tax season, we will offer you the option of either "**paper or plas-**

**tic**". You can continue to receive the traditional paper return that we have always provided our clients, or you can receive your tax return and documentation on a CD. If you choose to receive both types of storage after the 2004 tax season, there will be an extra charge.



CD. We will add the new year's tax return to your already existing library of returns for your convenience.

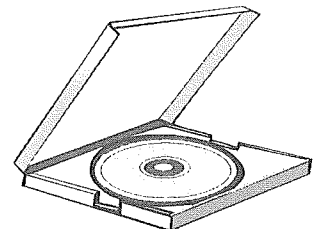
By scanning your prior years' tax returns, **you can clean out that file drawer or box(es)**. You will no longer have to be concerned about how long you have to keep the tax information. Ten years worth of returns will take up no more space in your home than one year's return on a CD.

**Call our office today to arrange to have your prior years' tax returns scanned.** Cost will be determined by the quantity of material to be scanned.

The average charge will be between \$50 and \$100.

We will be unable to offer the Prior Year Scanning service **during tax season**. Appointments are limited and are being taken quickly for this new service. Call today!

The CD option is also available to those who wish to get their **prior years' tax returns** scanned. We are offering our services to **properly scan and organize your prior year tax returns** by year on a CD for easier storage and access. This will solve the problem posed by the question "**how long do I have to keep my tax returns**". One CD will hold many years of your tax returns in one safe, convenient location. Each year, when you return to get your return prepared, bring your



**"Call our office today to arrange to have your prior years' tax returns scanned in Adobe PDF format onto a CD...the average charge will be between \$50 and \$100"**

**C&D Tax, Accounting & Financial  
Services, Inc.**

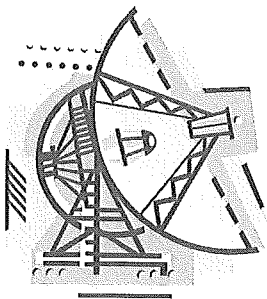
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## **NEW Services Available at C&D**



C&D Tax, Accounting & Financial Services is offering a **NEW SERVICE**.

See inside for details about the new technologies that are being used at our office and **HOW THEY CAN HELP YOU**.