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Greetings and Good New Year! Hope you all made it through the snow and ice safely. Our first order of business today is the statewide ballot measure vote that's just a couple of days away. While we spent some time in our last Green Sheet discussing the new law, it will, if passed, affect so many Oregonians that the topic merits at least a brief review:

MEASURE 30

A yes vote on Measure 30 is a vote to temporarily increase personal income taxes, increase the corporate minimum tax and increase various other income, property and cigarette taxes. A no vote is a vote to eliminate the tax hikes and automatically trigger more than \$500 million in state budget cuts, primarily in education and health care.

◆ **Tax Changes.** Measure 30 would add a surtax of between zero and nine percent of individual state income taxes for at least two years. . .the surcharge would be a new tax in addition to the customary Oregon income tax. . .the minimum income tax for corporations would be increased from \$10 to between \$250 and \$5,000, based on total sales. . .the federal deduction for purchasing certain business vehicles would be disallowed for Oregon tax. . .the medical expense deduction for seniors would be delayed until age 65 and high income seniors would lose part or all of the deduction. . .discounts for early payment of property taxes would be eliminated or reduced

◆ **Pros and Cons.** As always with money issues, both sides are arguing long and loud about the measure. . .proponents opine that Draconian budget cuts triggered by defeat of the measure would mean shorter school years, higher class sizes, elimination of state police positions, early release of inmates and loss of health coverage for thousands of Oregonians. . .those opposed counter that any tax hike will negatively impact Oregon's fragile economy and only encourage a legislature that should focus on containing the growth of state government

◆ **Income Tax Filing Considerations.** The Oregon Department of Revenue is asking taxpayers to wait until after the election to file 2003 returns. . .refunds will certainly be delayed. . .we have begun preparing some tax returns already but will not file or release any returns until after the election

If you haven't already mailed your ballot, we urge all of you to do so now; voted ballots must be returned to county election offices by Election Day, Tuesday, February 3.

FEDERAL INCOME TAX CHANGES - 2003 RETURNS

As we head into the 2003 filing season, it's a good time to review some of the more important federal individual tax return

changes taking effect. Be aware that the treatment of many of the following items may change in 2004.

◆ **Tax Rate Changes.** The lowest federal tax brackets of 10% and 15% have been expanded. . .the 27%, 30%, 35% and 38.6% brackets are reduced to 25%, 28%, 33% and 35%. . .for capital gains after May 5, 2003, the 10% and 20% rates are reduced to 5% and 10%. . . qualified dividends are taxed as capital gains rather than at higher ordinary income tax rates

◆ **Tax Deductions.** The standard mileage rate was decreased to 36 cents. . .elective deferrals increased to \$12,000 for most plans, \$8,000 for SIMPLE IRA plans. . .an additional 50% special depreciation deduction is available for property purchased after May 5, 2003. . .the maximum amount of the purchase cost of fixed assets which can be immediately deducted has increased from \$25,000 to \$100,000. . .limits on depreciation for some vehicles have increased. . .self-employed taxpayers can deduct 100% of qualifying health insurance costs. . .the standard deduction amount (for those not claiming itemized deductions) and personal exemption amount have both increased

◆ **Tax Credits.** The maximum lifetime learning credit doubled to \$2,000. . .the child tax credit increased to \$1,000 but must be reduced by the \$400 advance payment received by many taxpayers in 2003 (please indicate in your tax organizer if you received this payment). . .the maximum dependent care credit increased from 30% to 35% and the limit on qualifying expenses increased to \$6,000 (to \$3,000 for single taxpayers)

FILING SEASON NOTES

By now most of you should have received your annual tax organizer workbooks. Accurately completing the organizer saves us preparation time-and saves you money.

◆ **Electronic Filing Update.** Most individual returns prepared by our office this year will be electronically filed; remember to indicate on your tax organizer if you prefer a paper return. . .electronic filing returns is the most accurate method and reduces the time it takes for taxpayers to receive refunds

◆ **Our New Website.** You can now reach us on the web at www.lajcpa.com. . .the website contains information about our staff and services, tools for tracking your federal and state tax refunds, various financial calculators, past Green Sheet newsletters and links to other websites. . .please share with us any suggestions to make the site more useful

◆ **Last Minute Tax Planning.** Your last chance at saving money on 2003 income taxes may be IRAs. . .contributions for 2003 are not due until April 15, 2004. . .eligible individuals may contribute and deduct up to \$3,000, \$3,500 for those over 50

While for us this is the busiest time of the year it's also the time we get to visit again with those clients we see just once a year. To you and all our clients we extend our traditional tax season greeting: Many Happy Returns!