

THE ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001

575 South Willow Street
PO Box 1226
Jackson, Wyoming 83001
www.jhstatelaw.com

GONNELLA GEITTMANN, PC
Carol H. Gonnella & Clay D. Geittmann

(307) 733-5890 – voice
(307) 734-0544 – facsimile
carol@jhstatelaw.com
clay@jhstatelaw.com

HR 1836 and Individual Income Tax Rates

New 10% income tax rate for:

- first \$6,000.00 of taxable income of singles in 2001-2007, and in 2008 it applies to the first \$7,000.00 of taxable income, and thereafter would be indexed for inflation. In 2001, the taxpayer will receive a lump sum refund of \$300.00;
- first \$10,000.00 of taxable income for single parents in 2001-2007, and in 2008 it applies to the first \$10,000.00 of taxable income, and thereafter would be indexed for inflation. In 2001, the taxpayer will receive a lump sum refund of \$500.00; and
- first \$12,000.00 of taxable income for married couples in 2001-2007, and in 2008 it applies to the first \$14,000.00 of taxable income, and thereafter would be indexed for inflation. In 2001, the taxpayer will receive a lump sum refund of \$600.00.

All income tax rates lowered by 2006:

- Top bracket of 39.6% lowered to 35%;
- Other tax rates are lowered to create a new 6 bracket structure of:

35%	25%
33%	15%
28%	10%

The limitations on use of personal exemptions and itemized deductions are phased out over a 5 year period starting in 2006.

Increases the standard deduction for married couples to twice the standard deduction of single filers over a 5 year period starting in 2005.

Increases the size of the 15% bracket for married couples to twice the size of the 15% bracket for single filers over a 4 year period starting in 2005.

HR 1836 and Child Credit Expansion

The child credit is doubled from \$500.00 to \$1,000.00 over 10 years starting in 2001, as follows:

\$600.00 in years 2001-2004	\$800.00 in year 2009
\$700.00 in years 2005-2008	\$1,000.00 in year 2010

The child tax credit is refundable subject to earned income limitations and marital status.

HR 1836 and Alternative Minimum Tax (AMT)

The AMT tax exemption is increased from 2001-2004 by \$2,000.00 for single filers.

The AMT tax exemption is increased from 2001-2004 by \$4,000.00 for married filers.

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HR 1836 and Pension Reform

Individual Retirement Account (IRA) contributions are increased from \$2,000.00 to \$5,000.00 over 7 years.

401(k) and other tax deferred contribution limits are increased from \$10,500.00 to \$15,000.00 over 5 years.

“Catch Up” contributions allowed those age 50 and older to make retirement plan contributions over and above the contributions allowed for those under the age of 50.

Small business qualify for a non-refundable income tax credit for costs associated with the administration and education related to the startup of a retirement plan.

HR 1836 and Education Incentives

The annual contribution limits to educational savings accounts are increased from \$500.00 to \$2,000.00, and are later increased to \$4,000.00 subject to earned income limitations and marital status.

Tax-free withdrawals from educational savings accounts are permitted for qualified K-12, undergraduate and graduate level public and private educational expenses, room and board, travel and computer technology.

Qualified Tuition Plans may be provided by private financial institutions.

Subject to earned income limitations and marital status, individuals can deduct up to 100% of their interest payments related to student loans.

Exclusion for employer-provided educational assistance, including graduate level courses, are extended beginning December 31, 2001.

HR 1836 and Adoption Tax Credit

The tax credit for adoptions of a non-special needs child is made permanent to coincide with the permanent tax credit for adoptions of a special needs child.

The tax credit for adoptions of a special needs child is increased from \$6,000.00 to \$10,000.00.

The tax credit for adoptions of a non-special needs child is increased from \$5,000.00 to \$10,000.00.

The expense reporting requirement for special needs adoptions is eliminated.

The income level at which the adoption tax credit begins to phase out is increased from \$75,000.00 to \$150,000.00