



## The Vita Viewpoint Important Information for Decision Makers

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### **Bush Signs Jobs and Growth Tax Reconciliation Act Lowers Income Taxes and Raises Dependent Care Tax Credit**

- **JGTRRA.** On May 29, 2003, President Bush signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA).
- **Raises Child Tax Credit.** Among other things, this new law accelerates some of the provisions enacted in EGTRRA in 2001 including increase of the Child Tax Credit. The new Child Tax Credit will be \$1,000 for years 2003 and 2004, a significant increase over the current \$600.
- **Lowers Income Taxes.** JGTRRA also accelerates the following previously-enacted tax provisions:
  1. Increases the taxable income levels of the 10% rate bracket
  2. Reduces income tax rates, so that for 2003 and thereafter the regular income tax rates in excess of 15% are 25%, 28%, 33% and 35%
  3. Implements marriage penalty relief that includes increasing the basic standard deduction amount for joint returns to twice the basic standard deduction amount for single returns effective for 2003 and 2004.
- **Effect on Pre-tax Programs.** The effect of the accelerated tax reductions will mean a reduction in employee income tax, but also a corresponding reduction in the amount of employee pre-tax savings under salary reduction programs (pre-tax premium plans and FSA accounts).
- **Effect on Dependent Care Elections.** The increase in the Child Tax Credit may affect employees' decisions about participating in a Dependent Care FSA vs. claiming the Dependent Care Tax Credit in 2004.