

# Staying Ahead

with Saul Ewing

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Personal Wealth, Estates and Trusts Group

## Tax Relief Provisions Extended Under New Law

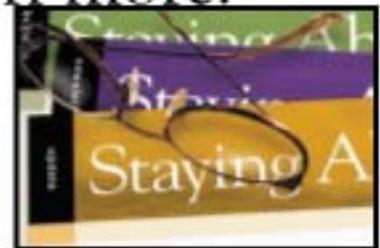
### What happened?

**On October 4, 2004 President Bush signed into law the Working Families Tax Relief Act of 2004.**

### What does it mean?

**The Act, described as being aimed at small businesses and families, extends many of the tax cuts put into effect by previous tax reduction acts.**

Learn more.



Turn page to find out more about the Working Families Tax Relief Act.

## Individuals:

**Expanded 10% Tax Bracket** - Most individual taxpayers will benefit from the extension of the expanded 10% tax bracket. The expanded levels of income taxed in the 10% bracket will now continue through 2010. The amount of income included in this bracket will now be indexed for inflation.

**Alternative Minimum Tax** - Many individual taxpayers will get at least a one year reprieve from the alternative minimum tax. Under the Act, the increased exemption amounts that are currently in place will remain effective for another year while Congress decides how, or if, it will reform the alternative minimum tax to prevent it from having an increased effect on middle class taxpayers.

## Families:

**Child Tax Credit** - The \$1,000 per child tax credit, which was scheduled to be reduced to \$700 per child next year, has been extended in its current form through 2010.

**Marriage Penalty** - The so-called marriage penalty has been reduced by extending the relief currently given to joint filers for income in the 15% tax bracket through 2010. Additionally, the standard deduction for joint filers, currently double that of single filers, has been extended through 2010.

**Uniform Definition of Child** – Under the new Act, the definition of a child for tax purposes will, beginning next year, be uniform throughout the Internal Revenue Code. This simplifies filing for the child tax credit, dependent exemptions, earned income credit, dependent care tax credit, and head of household filing status. However, taxpayers must carefully examine the new rules to determine if they can still claim a child under the new definition.

## Businesses:

**Research and Development Credit** - The tax credit given to businesses for research and development has been extended through the end of 2005.

**Work Opportunity Tax Credit and Welfare to Work Tax Credit** - The two tax credits that currently provide tax incentives to employers to hire targeted individuals, in an effort to help them move from welfare to work, have been extended through 2005.

**Charitable Donation of Qualified Computers** – Businesses are also able to take advantage of a tax deduction for computers donated to libraries and schools through 2005.

There are many very specialized provisions, as in every federal law. If you have any questions about the changes, please contact us.

*This update was written by Ryan R. Gager of Saul Ewing's Personal Wealth, Estates and Trusts Department, for information purposes only and its contents should not be considered legal advice. For more information, please contact Mr. Gager at (215) 972-8387 or at rgager@saul.com.*

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