Taxation

Capital Gains Tax

Under the recently enacted Jobs and Growth Tax Relief Reconciliation Act of 2003, generating long term capital gains or acquiring dividend income could be two of your big opportunities to save on taxes. Be aware that the Act of 2003 created "sunset provisions", however, meaning that the tax rates on both capital gains and dividends may go up again unless congress acts to extend the rates. The current tax rate provisions are scheduled through 2010.

Taxation of Long-Term Capital Gains

The maximum tax rate on net capital gains has been reduced to 15% (from 20%) for most taxpayers, and reduced to 0% for taxpayers in the 10% and 15% tax rate brackets for property sold or otherwise disposed of after May 5, 2003 (and installment sale payments received after that date). The reduced rate applies for both the regular tax and the alternative minimum tax.

(Note: The higher rates that apply to un-recaptured section 1250 gain, collectibles gain, and section 1202 gain have not changed.)

Tax Treatment of Capital Losses

If you incur losses from the sale of a capital asset, you can deduct those losses to the extent they equal capital gains from the sale of other assets. If your losses exceed your gains, you can only deduct up to $3,000 ($1,500 if you are married and filing separately) of capital losses in a tax year against other income on Form 1040. You can carry losses forward and continue to deduct $3,000 ($1,500 if filing separately) annually against other income until your losses are used up.

The information provided is for general information purposes only. Tax laws are subject to change, and you should consult a tax adviser regarding y our particular situation.