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SOURCE: Republican Study Committee

Americans for Tax Reform

**Background  
Information**  
from  
**Congressman  
Joe Pitts**



[www.house.gov/pitts](http://www.house.gov/pitts)  
202 225-2411

## Impending Tax Increases

Unless Congress takes action, the following tax increases\* will automatically occur:

### 2005

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The child tax credit will decrease from \$1,000 to \$700.

The standard deduction for couples as a percentage of the standard deduction for singles will decrease from 200% to 174%--reinstating the marriage penalty.

The top end of the 15% marginal income tax bracket for couples as a percentage of the top end for singles will decrease from 200% to 174%--reinstating the marriage penalty.

The 10% marginal income tax bracket will contract from covering the first \$7,000 of income for singles and \$14,000 for joint filers to covering only the first \$6,000 of income for singles and \$12,000 for joint filers.

The exemption for the Alternative Minimum Tax (AMT) will decrease from \$40,250 to \$33,750 for single filers and from \$58,000 to \$45,000 for married couples filing jointly.

The bonus depreciation will decrease from 50% to 30%.

### 2006

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The section 179 small business expensing cap will decrease from \$100,000 to \$25,000, and the definition of a small business will decrease from \$400,000 to \$200,000.

### 2009

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The personal capital gains rate will increase from 15% and 0% to 20% and 10%.

Dividends will no longer be taxed at the personal capital gains rates, thereby increasing the double taxation of dividends by as much as 62%.

### 2011

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The marginal income tax rates will increase as follows:

- 35% bracket will increase to 39.6%
- 33% bracket will increase to 36%
- 28% bracket will increase to 31%
- 25% bracket will increase to 28%
- 10% bracket will increase to 15%

The child tax credit will decrease from \$1,000 to \$500.

The annual education IRA contribution limit will decrease from \$2,000 to \$500.

The standard deduction for couples as a percentage of the standard deduction for singles will decrease from 200% to 167%--reinstating the marriage penalty.

The top end of the 15% marginal income tax bracket for couples as a percentage of the top end for singles will decrease from 200% to 167%--reinstating the marriage penalty.

The estate tax using the "stepped up" basis will return with a 60% maximum rate (including surtax) and \$1 million exemption, after years of decreasing estate tax rates, increasing exemptions, and one year using the more fair "carryover" basis to calculate the tax due.

The annual IRA contribution limit will decrease from \$5,000 plus post-2008 inflation to \$2,000.

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\*This list is not exhaustive.

**NOTE:** *The items above that appear twice do so because of phase-ins or phase-outs in the law in between the two appearances. For example, the standard deduction for couples decreases from 200% of singles to 174% in 2005. It then gradually rises back up to 200% by 2010 and then decreases to 167% in 2011.*