

This Week in WashingtonCongressman Richard Pombo
11th District, California**Good News about Taxes
Pombo's Top 10 for the 2003 Filing Season**

No one likes paying taxes on April 15, but as tax relief continues to strengthen the economy – taxpayers experience larger tax refunds from the increased child credit, reduced marriage penalty, and reduced tax rates. Businesses are investing and expanding to take advantage of the increased expensing and bonus depreciation provisions.

Highlights of Changes for the 2003 Filing Season**1. Reduction of Individual Capital Gains Rates**

The 10% and 20% rates on net capital gains are reduced to 5% and 15% respectively. (The tax rate cut applies to sales and exchanges on or after May 6, 2003.)

2. Dividend Tax Relief for Individuals

Qualified dividends are taxed at the same rate as capital gains instead of the higher tax rate on ordinary income. The rates have been reduced to 5% for taxpayers in the lowest tax brackets and to 15% for all other taxpayers.

3. Individual Rate Cuts

Rate reductions: from 27% to 25%; 30% to 28%; 35% to 33%, and 38.6% to 35%.

4. Expanded 10 Percent Bracket

Accelerated expansion of the 10% bracket.

5. Business Bonus Depreciation

Increased bonus depreciation from 30 percent to 50 percent as well as its extension through December 31, 2004 (December 31, 2004 for longer-lived property).

6. Increased Expensing for Small Business

Increases the amount that small business can expense (immediately deduct) from \$25,000 to \$100,000. Increases definition of small business from \$200,000 for capital purchases to \$400,000. Both amounts are indexed for inflation in 2004 and 2005.

7. Standard Deduction Marriage Penalty Relief

Basic standard deduction for married taxpayers filing a joint return has been increased to twice the basic standard deduction amount for single returns. Additionally, the 15% tax bracket for married couples has increased to twice the bracket for singles.

8. Increase in Child Tax Credit

Child Tax Credit has increased from \$600 in 2002, to \$1,000.

9. Increased Retirement Savings

Contributions to IRAs are increased from \$2,000 to \$3,000 and are indexed for inflation – allowing Americans to save more for retirement.

10. Deduction for Overnight Travel Expenses of National Guard and Reserve Members

Qualified taxpayers may take an adjustment to income for non-reimbursed overnight travel expenses.

With gas prices on the rise, a federal energy bill is overdue

By Congressman Richard Pombo

California thrives when energy is abundant and affordable, and without it, our economy, our jobs and the welfare of our people suffer.

As a whole, our state ranks No. 1 in energy efficiency. But we are a large, diverse state with economic output far exceeding that of most nations. We are, arguably, the heart and soul of the technology age, both the agricultural breadbasket of the nation and the entertainment capital of the world — none of which could have been built or sustained without abundant, affordable energy.

Unfortunately, as we Californians know too well, energy is becoming all too scarce and all too expensive. (*cont.*)

This Week in Washington cont.Congressman Richard Pombo
11th District, California**(With gas prices on the rise, a federal energy bill is overdue cont.)**

We are paying record prices for gasoline. Those prices will certainly go much higher as we enter the summer driving season and face the temporary halt in production to change over to summer blends mandated by the U.S. Environmental Protection Agency and the California Air Resources Board.

There are 24 different blends of unleaded gasoline required by law for different states and different times of the year. If there is a shortage of gasoline in one area, gasoline can't be interchanged easily between various parts of the country. Nationwide, nearly half of all American refineries have been shut down in the last 30 years and no new facilities have been built due to confusing environmental standards. In 2002, 159 refineries operated throughout the country, a 60 % decrease compared to the 263 found operating in 1982. Today, our remaining American refineries operate at nearly full capacity, yet are unable to meet our needs. This means we must import refined petroleum products, such as gasoline and diesel fuel, sending those refining jobs overseas and causing prices to increase.

Today, we import nearly two-thirds of our oil, compared to only one-third at the time of the Arab oil embargo of the 1970s. The price of that oil has soared to more than \$35 per barrel, partly due to restricted production by Persian Gulf countries. At the same time, Alaska only produces 991,000 barrels of oil per day – 50% less than in 1998 at 2 million barrels per day. This supply, which California and the rest of the West Coast relies heavily, has dropped due to declining production from existing wells and an unwillingness to open new oil fields.

There are vast reserves of oil in Alaska, which could provide the West Coast with at least another million barrels per day. Luckily, we aren't forced to decide between a clean environment and energy production – we can accomplish both. The fears associated with exploring resources were completely debunked by the Clinton administration study, "Environmental Benefits of Advanced Oil and Gas Exploration and Production Technology," <http://www.fossil.energy.gov/programs/oilgas/publications/environmentalbenefits/> which found modern methods actually improve the environment rather than harm it. I've been to the ANWR in the summer and in the winter, when it's below zero with little or no light. We can produce oil there safely while protecting the environment.

As Californians have learned the hard way, the oxygenate mandate for gasoline has compounded our energy woes. First, it caused the fuel additive MTBE (methyl tertiary-butyl ether) to be blended with our gasoline, and that severely polluted ground water in many of our communities. Our state, having banned that additive, is now forced by federal law to use ethanol in our gasoline. Since ethanol cannot be shipped through economical pipelines, we must get it by truck or rail or produce it locally, further raising gasoline prices.

Petroleum, of course, is not our only energy concern in California. We are still haunted by the electricity shortages of 2001 and the resulting mismanagement of that crisis. It is a crisis that could well return since little has been done to address electricity production and transmission inadequacies. Congress has the power to resolve all these issues, but it has not.

The comprehensive energy bill now before Congress makes a commitment to alternative energy production and would launch numerous initiatives to provide abundant, affordable energy in America. The Bill, H.R. 6, Sponsored by Senator Pete Domenici (R-NM), has stalled because of partisan obstructionist politics. Thus, the legislation has not able to garner the 60 requisite votes it needs in the Senate. It has been a dozen years since we passed a comprehensive energy bill. It is time Republicans and Democrats pull together, not apart, and pass a comprehensive energy bill that will lower gas prices and protect Americans and their jobs. Done right, we can produce hundreds of thousands of new jobs. It is time to work together in our common interests to lower gas prices.

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