INTERNAL REVENUE SERVICE

IRS News Release

Media Relations Office | Washington, D.C. | Media Contact: 202.622.4000
www.IRS.gov/newsroom | Public Contact: 800.829.1040

Time Running Short for 2003 Tax Moves

IR-2003-130, Nov. 10, 2003

WASHINGTON — The Internal Revenue Service today reminded taxpayers they have less than eight weeks to make their final financial moves for the 2003 tax year.

Taxpayers can take the first step toward advance tax planning by reviewing tax law changes featured on the IRS Web site, www.irs.gov. A little advance planning now could save taxpayers time – and perhaps even money – later.

For many families, tax planning means locating the IRS notice for their Advance Child Tax Credit. For teachers, it means keeping those receipts for school supplies they purchase with their own money. For investors, it may mean deciding which stocks should be sold or purchased.

This summer, nearly 24 million taxpayers received an Advance Child Tax Credit of up to $400 per child because the credit was increased to $1,000 per child from $600 per child. People got part of their Child Tax Credit in advance this summer, so they must subtract that amount when figuring the credit when they complete their 2003 taxes.

Taxpayers should have kept their IRS letter (Notice 1319) that notified them of the amount of the credit they were to receive. Forgot the advance payment amount? Check www.irs.gov under the "Individuals" section for the online tool, "Where's My Advance Child Tax Credit?"

Also, taxpayers who do not receive an Advance Child Tax Credit check by Dec. 31 may claim the increased credit on their 2003 tax return. Again, IRS.gov provides details on child tax credit eligibility.

End-of-the-year planning may be useful for educators who may claim up to $250 for out-of-pocket classroom expenses, students who may deduct interest on college loans and spouses who make alimony payments. These items are among the tax deductions that can reduce taxable income.

Some taxpayers may benefit more by itemizing their deductions on Schedule A of Form 1040. Taxpayers should consider using Schedule A if their itemized deductions exceed the amount of the standard deductions. On average, approximately one-third of the nation's taxpayers itemize their deductions.

— MORE —

For the 2003 tax year, the standard deduction is $4,750 for taxpayers filing as single or married filing separately, $7,000 for individuals filing as head of household and $9,500 for taxpayers filing as married filing jointly.

Among the common deductions itemized on Schedule A are state and local income taxes, real estate taxes and mortgage interest. Charitable donations also are deductible on Schedule A and taxpayers should keep a record of their contributions. Certain medical expenses, such as laser surgery or obesity weight loss programs, are deductible if the total medical expenses exceed 7.5 percent of gross income.

Also, for the 2003 tax year, taxpayers may make gifts of up to $11,000 per person and exclude the amount from the gift tax. Those receiving the gift are not required to pay taxes on the amount received.

Tax-free flexible spending accounts also can lower taxable income amounts and the IRS recently ruled medical spending accounts can be used to purchase non-prescription medication. Again, taxpayers should keep receipts.

The maximum tax rate for most capital gains taken after May 5, 2003 has been reduced to 15 percent for most individuals and generally 5 percent for low-income individuals. Dividends also are taxed at a maximum rate of 15 percent and generally 5 percent for low-income individuals.

In most cases, the expenditures must take place during the tax year in order to be deductible. However, taxpayers do have time next year to contribute to their Individual Retirement Accounts. The maximum IRA contribution for the 2003 tax year is $3,000. Taxpayers who are age 50 or over by Dec. 31 can contribute $3,500.

Taxpayers should consider seeking out additional information either through IRS.gov or a tax professional.

–30–