

2004 Working Families Act

Congress recently passed the 2004 Working Families Act, which provides a package of tax cuts and extends more than 20 expired business-related tax provisions. Here's what you need to know right now about this important new legislation:

Individuals

Child credit.

The child credit, which is \$1,000 per child for 2004, will stay at \$1,000 through 2010.

Marriage penalty relief.

Two provisions that provide a measure of relief from the marriage penalty are extended through 2010. These provisions set the basic standard deduction for joint filers at twice that of single taxpayers and increase the size of the 15-percent rate bracket for married couples filing joint returns.

10-percent bracket.

The scheduled reduction in the amount of income subject to the 10% tax bracket is repealed, effective through 2010.

Higher exemption amount extended.

In recent years, Congress has provided a measure of relief from the AMT by raising the AMT "exemption amounts," thereby reducing the likelihood of an AMT liability. The Act preserves this partial relief from the AMT by extending the higher exemption amounts to 2005.

Extension of business-related tax relief

The research credit is extended for amounts paid or incurred after June 30, 2004 and before 2006.

The enhanced deduction for a corporation's qualified computer contributions is extended for contributions made in tax years beginning after 2003 and before 2006.

The above-the-line deduction for certain expenses of eligible educators is extended to tax years beginning in 2004 and 2005.

New contributions to Archer medical savings accounts are allowed for 2004 and 2005.

NOTE: The 50% bonus depreciation, scheduled to expire Dec. 31, 2004, has not been extended by this act.