

May 23, 2003

Akin Votes for Jobs and Growth Tax Reconciliation Act of 2003

Washington - Earlier this morning, the U.S. House of Representatives passed H.R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003. H.R. 2 provides \$350 billion in tax relief and assistance to the states to create jobs and increase revenues for state and local governments.

"This job and growth plan is vital to spurring America's economy and will do so by helping families and encouraging greater investment by American businesses," said Congressman Todd Akin, who is Chairman of the Small Business Subcommittee on Workforce, Empowerment and Government Programs.

"Missouri has been hard-hit by the economic slowdown that began in 2000, and this proposal will help get our state's economy going again. Although a larger tax break could create even more jobs, this legislation will, when enacted, help everyone who pays taxes, including small businesses, which are responsible for the majority of employment in the United States," Akin noted.

The Act accelerates tax cuts for individuals by increasing the child tax credit to \$1,000, accelerating the 2006 individual rate cut schedule to 2003, expanding marriage penalty relief and increasing the Alternative Minimum Tax exemption amount.

As released by the Department of the Treasury, H.R. 2 includes the following provisions for small business owners:

- Accelerates tax reductions enacted in the 2001 tax act, thereby providing small business owners with much needed assistance.
- 23 million small business owners would receive tax cuts averaging \$2,209.
- Accelerates the reduction in the top marginal rate scheduled to take effect in 2006 (to 35 percent) to 2003.
- Owners of flow-through entities, including small business owners and entrepreneurs, compose two-thirds (about 400,000) of the 600,000 tax returns that would benefit from accelerating the reduction in the top tax bracket scheduled for 2006 to 2003.
- These small business owners would receive 79 percent (about \$9.7 billion) of the \$12.4 billion in tax relief from accelerating the reduction in the top tax bracket to 35 percent from 2006 to 2003.
- The increase in the expensing for new investment will encourage small business owners to purchase the technology, machinery and other equipment they need to expand.
- The amount of investment that may be immediately deducted by small businesses would quadruple from \$25,000 to \$100,000 beginning in 2003. The amount of investment qualifying for this immediate deduction will begin to phase out for small businesses with investment in excess of \$400,000 (doubled from \$200,000). Both parameters are indexed for inflation beginning in 2004. Computer software would be eligible for expensing. The provision sunsets after

December 31, 2005.

- The increase in expensing provides incentives for small businesses to grow.
- Small business owners who purchase equipment to grow and expand will get assistance through this provision. The increase in expensing encourages capital investment by small businesses.
- Tax compliance and record-keeping burdens would be simplified by allowing many small businesses to avoid the inherent complexity of depreciation provisions.