

# Summary of the Economic Growth & Tax Relief Reconciliation Act of 2001

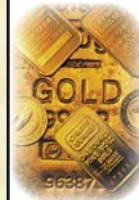
The Tax Act expires on December 31, 2010, so all provisions will revert back to the way they were prior to June 7, 2001, unless further legislation is adopted before then.



## Child Credit Expansion

The new law phases in an increase in the amount of child tax credit from \$500 to \$1,000 (per child):

<u>2001</u>	<u>2002- 2004</u>	<u>2005- 2008</u>	<u>2009</u>	<u>2010</u>
\$500	\$600	\$700	\$800	\$1,000



## IRA Limits

The 2001 Tax Act allows for increases in both Traditional and Roth Individual Retirement Accounts (IRAs) according to the schedule below:

<u>Age</u>	<u>2001</u>	<u>2002- 2004</u>	<u>2005- 2007</u>	<u>2008 &amp; beyond*</u>
under 50	\$2,000	\$3,000	\$4,000	\$5,000

<u>Age</u>	<u>2001</u>	<u>2002- 2004</u>	<u>2005</u>	<u>2006 &amp; 2007</u>	<u>2008 &amp; beyond*</u>
over 50	\$2,000	\$3,500	\$4,500	\$5,000	\$6,000

\*May adjust annually for inflation, but only in increments of \$500.

Courtesy of...



Chicago  
Title

## Individual Income Tax Rates

Provides benefit of a new 10 percent rate and lowers all prior top tax rates over a phased period. The new rates are as follows:



<u>2001</u>	<u>2004 &amp; 2005</u>	<u>2006 thru 2010</u>	<u>2011 &amp; beyond</u>
15.0%	10%	10%	15%
28.0%	26%	25%	28.0%
31.0%	29%	28%	31.0%
36.0%	34%	33%	36.0%
39.6%	37.6%	35%	39.6%

## Maximums for 401K Plans and Others

The new Tax Act increased 401K and other tax-deferred contribution limits, to be phased in as follows:

<u>2004</u>	<u>2005</u>	<u>2006 &amp; beyond*</u>
\$13,000	\$14,000	\$15,000

The new law also provides 'catch-up' contributions for people age 50 and older, to be phased in as follows:

<u>2004</u>	<u>2005</u>	<u>2006 &amp; beyond*</u>
\$16,000	\$18,000	\$20,000

\*May adjust annually for inflation, but only in increments of \$500.

## Estate and Gift Maximum Tax

The new law phases in a decrease in the top estate tax rates with a simultaneous increase in the lifetime exemption amount as shown in the table below:



<u>Year</u>	<u>Maximum Estate Tax Rate</u>	<u>Lifetime Exemption Amount</u>
2004	48%	\$1,500,000
2005	47%	\$1,500,000
2006	46%	\$2,000,000
2007	45%	\$2,000,000
2008	45%	\$2,000,000
2009	45%	\$3,500,000

## Maximums for Simple Plans

The new tax law increased limits on salary deferrals into Simple IRA plans, to be phased in as follows:

<u>2004</u>	<u>2005</u>	<u>2006 &amp; beyond*</u>
\$9,000	\$10,000	\$10,000

Additionally, a 'catch-up' contribution is available for participants age 50 and over, to be phased in as follows:

<u>2004</u>	<u>2005</u>	<u>2006 &amp; beyond*</u>
\$10,500	\$12,000	\$12,500

\*May adjust annually for inflation, but only in increments of \$500.

Information contained herein is from sources deemed reliable but is not guaranteed. Please consult your personal tax advisor before making changes to your contributions and/or relying on the information contained herein. Please note: Contribution limitations to IRA's and 401K's have not been adjusted under California law to match allowed contributions under federal law.