The new tax-cut package titled “Jobs and Growth Tax Relief Reconciliation Act of 2003” (JGTRRA) will provide substantial tax saving opportunities for CM farmers. The provisions offering the largest dollar savings are not new, but simply accelerated. Business owners will want to be aware of the following provisions of JGTRRA.

**Section 179**
This is the business asset expensing provision and the optional amount to be deducted each year has been increased from $25,000 to $100,000. This change is effective for qualifying property placed in service beginning in 2003. Reminder: Section 179 may be elected on qualifying new or used property.

**Bonus Depreciation**
Bonus depreciation was enacted following the 911 attacks to encourage businesses to acquire business assets. JGTRRA increased the first year bonus depreciation from 30% to 50%. However, the increased percentage is only available for qualifying property acquired after May 5, 2003. Additionally, as with the original provision – only new property qualifies for bonus depreciation.

**Long-term Capital Gains**
A much debated, but surprise addition to JGTRRA was the lowering of the capital gains tax rates. For sales and exchanges after May 5, 2003 the maximum capital gains tax rate is reduced from 20% to 15%. Additionally, the 10% capital gains tax rate available at lower-income levels has been lowered to 5%. A quirk in JGTRRA has the 5% rate dropping to 0% in 2008, but just for one year. Given the frequency of tax law changes – don’t bank on that 0% rate being available in 2008.

Of special note: the long-term capital gains tax rate on the disposal of collectibles remains unchanged at 28% and the unrecaptured Section 1250 gain* will continue to be taxed at a 25% rate. (*Basically, unrecaptured Section 1250 gain refers to depreciation taken or allowable on depreciable real property at a rate greater than straight-line depreciation.)