



BDO Seidman, LLP
Accountants and Consultants

October 2004

Federal Tax Alert

Subject:

Working Families Tax Relief Act of 2004, H.R. 1308

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Date/Timing:

Late on September 23, 2004, Congress passed the Working Families Tax Relief Act of 2004, H.R. 1308 and President Bush is expected to sign the bill shortly. Many of the amendments are effective for taxable years beginning after 12/31/04, though some provisions have different effective dates. For example, the extension of the research credit applies to amounts paid or incurred after 6/30/04.

Details:

The bill extends certain middle class tax cuts that would have expired at the end of 2004, *viz.*, the \$1,000 child tax credit, marriage penalty relief, the expanded 10% tax rate bracket, and minimum tax relief for individuals. The bill also establishes a uniform definition of "child" for tax purposes. Further, the bill contains a number of provisions that benefit members of the military, National Guard and Reserve.

In addition to these individual provisions, the bill contains various provisions of interest to businesses.

First, the bill extends the research credit for 18 months. Proposals in the Senate to expand the R&D credit, including increasing the credit rates for tax years beginning after 2004 and creating an entirely new "alternative simplified credit," were not adopted.

The bill also extends the work opportunity credit and the welfare-to-work credit. These credits are of particular interest to companies in the restaurant and hospitality industry, which use the tax credits to offset the costs of worker training.

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Details ... (continued)

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The bill contains other provisions affecting business taxpayers, including:

- Incentives for corporate contributions of computer technology and equipment to public schools and libraries.
- 2-year extension of provision permitting expensing of certain environmental remediation costs under IRC § 198.
- Tax incentives for investment in the District of Columbia.
- Extension of tax credit for electricity produced from certain renewable resources, such as wind, poultry waste and certain “closed-loop” biomass facilities.
- Suspension of 100% net income limitation on percentage depletion for oil and gas produced from marginal wells.
- Accelerated depreciation for business property on Indian Reservations.
- Extension of New York Liberty Zone provisions which permit the issuance of tax-exempt bonds to finance the construction and repair of infrastructure in New York City.

The new tax bill also makes technical corrections to the 1996, 1997, 2000, 2001, 2002 and 2003 tax acts.

FOR MORE INFORMATION

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