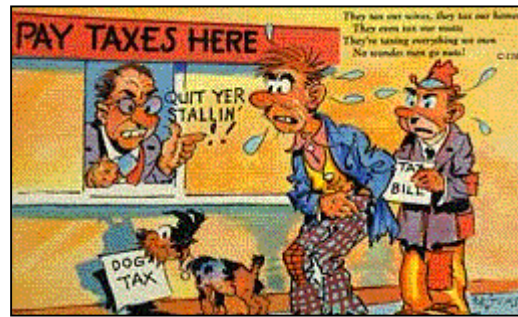


## I. Tax Bracket Reductions



The heart of President Bush's tax plan is reduction of all income tax brackets. These brackets will be reduced from the existing 15%, 28%, 31%, 36% and 39.6% brackets to lower levels. The 15% bracket will be reduced in part to 10%, effective on July 1, 2001. This change will absorb most of the \$100 billion dollars allocated for immediate stimulus. Treasury has authority to promulgate revised withholding tables to enable taxpayers to benefit now from the new 10% bracket.

The July 1, 2001 lowering of all brackets produces an immediate tax reduction for all taxpayers. However, the lower 10% bracket would not apply to all of the current 15% bracket. The 10% bracket applies to \$6,000 of income for single persons, \$10,000 for heads of the households, and \$12,000 for married couples filing jointly. In effect, the 15% bracket has been split into a 10% and a 15% bracket. Note also that phase-in of the new brackets over several years will reduce the cost of the lower brackets.

### Rate Reduction Credit -- \$300, \$500, \$600

In order to stimulate the economy in 2001, there also will be a retroactive tax reduction. All taxpayers with timely-filed 2000 returns will receive a check for up to \$300 for single persons, \$500 for heads of households and \$600 for married taxpayers filing jointly. Treasury will send out approximately 100 million checks by the end of September 2001. This refund is designed to allow taxpayers the benefit of the 10% bracket from January 1, 2001 to June 30, 2001.

### Itemized Deductions and Personal Exemption

Starting in 2006, the 3% reduction on itemized deductions for higher-income taxpayers will be phased out. In addition, the phase-out of the personal exemption will be gradually eliminated. The end result is that in 2010 and thereafter, high-income taxpayers will benefit from both their itemized deductions and personal exemptions.