

SPECIAL Report



NATIONAL ROOFING CONTRACTORS ASSOCIATION

June 2003

Dear Member:

This *Special Report* provides you with the details of H.R. 2, Jobs and Growth Tax Reconciliation Act of 2003, commonly referred to as the Bush tax-cut plan. We want to make sure NRCA members take maximum advantage of new opportunities. For example, the small-business expensing provision will benefit contractors and distributors because it quadruples the tax benefit for purchasing new equipment. In fact, there are ample opportunities for all NRCA members in the Bush plan, which is why your NRCA Washington, D.C., office worked so diligently to help get it passed.

On May 29, President Bush signed H.R. 2—the third largest tax cut in U.S. history—into law at a ceremony in the White House's East Room. The packed room included President Bush's cabinet; congressional leaders; and key business group leaders, including Craig Brightup, NRCA's vice president of government relations. As a steering committee member of the Tax Relief Coalition, the primary business coalition formed to advance President Bush's tax-cut package, Brightup was among a select group of industry representatives present at the historic event.

The president's signature marked the culmination of months of intense lobbying by NRCA and industry allies to secure more favorable tax treatment for individuals and businesses. The legislation will provide \$320 billion in tax cuts between now and 2013, as well as another \$30 billion in state aid and child tax credit payments. The package (the second substantial tax cut of the Bush administration) passed the Senate May 23 with a 51-50 vote, with Vice President Dick Cheney breaking the tie. The House passed the same measure before dawn the same day by a 231-200 margin. And though the size of H.R. 2 is considerably less than the \$726 billion plan originally proposed by President Bush in January, we believe you will find the measure includes some attractive and helpful provisions that should expand your cash resources, lower the cost of capital, and provide critical incentives for you to invest and grow your firm.

In general, the bill accelerates several income tax rate cuts scheduled to take effect later in the decade, boosts federal child tax credits, reduces rates on investors, and expands expensing for small businesses and depreciation measures for all businesses. Under the plan signed into law:

- 91 million taxpayers will receive, on average, a tax cut of \$1,126 in 2003
- 23 small-business owners will see tax relief in excess of \$2,000
- The current annual \$600 child tax credit will increase to \$1,000 for 2003 and 2004
- 12 million elderly taxpayers will receive an average tax cut of \$1,401
- 26 million taxpayers with income from dividends and capital gains will enjoy, on average, an \$800 tax cut

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Provisions of specific interest to NRCA member companies include the following:


- **Bonus Depreciation:** All businesses are allowed to take an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified property—this is an increase from the current 30 percent additional first-year depreciation deduction provided by the *Job Creation and Workers Assistance Act of 2002*. In general, qualified property refers to new equipment and other capital investments made during 2003 and 2004. The property must be acquired after May 5, 2003, and before Jan. 1, 2005. Property does not qualify if there existed a binding written contract for the acquisition in effect before May 6, 2003.
- **Section 179 Expensing:** Small businesses are permitted, pursuant to section 179, to expense \$100,000 worth of new equipment purchases annually in taxable years beginning in 2003, 2004 and 2005. This quadruples the current section 179 annual limit of \$25,000. Further, for purposes of phasing out the deductible amount, the \$200,000 amount is increased to \$400,000 for property placed in service in these taxable years. The dollar limitations are indexed annually for inflation. The provision also includes off-the-shelf computer software placed in service in a qualifying taxable year.

These provisions provide an immediate benefit for NRCA's manufacturer and distributor members because contractors now have added incentive to purchase new equipment this year. If you haven't already done so, we suggest you speak with your tax counsel and accountants regarding the implications of H.R. 2 for your business.

One final comment—the provisions of H.R. 2 are scheduled to sunset several years from now. But you can rest assured NRCA is working to make them permanent. And you can help. The next time you visit your members of Congress, be sure to let them know you favor making the provisions permanent. If you don't have the opportunity to visit with them personally, you can write their offices. To find your elected leaders, please visit www.house.gov and www.senate.gov.

If you have any questions or concerns regarding H.R. 2, I encourage you to contact me in the Washington office at (800) 338-5765 or (202) 546-7584, or e-mail csilvertooth@nrca.net. To read the text of President Bush's full statement, please visit NRCA's web site at www.nrca.net.

Sincerely,



R. Craig Silvertooth
Director of Federal Affairs