Dear Hamilton Friends:

Providing timely financial, tax and estate planning information has always been the goal of Hamilton Plans. At present, this means taking a closer look at the Jobs and Growth Tax Relief Act of 2003, the “2003 tax act.” With these recent tax law changes, there is greater reason to review your financial situation with an eye toward maximizing tax savings. We all know tax laws are complex. In this issue we have attempted to simplify those changes and illustrate how you can benefit from them to the greatest extent possible just as my lifelong friends, Nancy and Chuck Brink ’46, have done as described on page five.

Patsy and I, as well as other members of our family, have taken advantage of the virtues of planned gifts; we are ardent believers, and we know that there are many ways to tailor plans to meet individual needs.

I invite you to look at the Planned Giving Web page, which was recently added to the Hamilton College site. You can find timely planning pointers and useful information at www.hamilton.edu/alumni/PlannedGiving/.

Beyond the 2003 tax act presented here, you may request the Giver's Guide to Federal Taxes and explore any of these matters further by returning the reply card or calling Ben Madonia ’74 at 1-866-729-0317. Ben is available to assist you and talk about planned gift opportunities at the College.

With thanks and best wishes,
Richard W. Couper ’44
Life Trustee

Summary of 2003 Tax Law Changes

Income tax rate reductions. (See page two for more information.)

Dividend income tax rate reductions. (See page two for more information.)

Families get a special boost with a larger tax credit for qualifying dependent children. It has increased from $600 to $1,000 per child under the age of 17.

Couples who don’t itemize get a standard deduction equal to twice that of singles.
**Highlights of the 2003 Tax Act**

**Accelerating the Pace**

Much of the impact of the 2003 tax act comes from accelerating cuts previously due to take effect throughout the next three years. At the top end, the maximum income tax rate drops from 38.6% to 35%. The next three rates — 35%, 30% and 27% — drop 2% each to 33%, 28% and 25%, respectively. The two bottom rates of 15% and 10% do not change under the 2003 tax act, but the 10% bracket has been expanded so that more income will be taxed at the lowest level.

For single taxpayers, the first $7,000 of taxable income is now taxed at 10%, compared to $6,000 last year. That is doubled for married couples filing jointly — $14,000 this year versus $12,000 in 2002.

The new law also accelerates previously enacted provisions to reduce the “marriage penalty” built into the tax code. Now, the top end of the 15% bracket for couples is equal to twice the upper limit of that bracket for singles – which means that more than $9,000 will be taxed at 15% rather than at 25%. Couples who don’t itemize also get a standard deduction equal to twice that of singles.

### Taxes Reduced on Dividends, Capital Gains

Previously, dividends had been subject to tax as ordinary income at the recipient’s highest marginal rate – as much as 38.6% in 2002.

Beginning this year, the top rate on qualifying dividends is just 15%, and anyone in the two lowest regular income tax brackets will pay just 5% (reducing to zero in 2008). This can mean substantial savings.

**Planning pointer:** Specific holding periods must be met to qualify for the reduced dividend tax rate. For common stock, shareholders must own the stock for more than 60 days during the 120-day period beginning 60 days prior to the ex-dividend date. The holding period for preferred stock is longer.

Long-term capital gains tax rates have also been cut from 20% to 15%. For those in the 15% or 10% income tax brackets, the capital gains rate has been reduced to 5% in 2003 and 0% in 2008. These rates are effective for sales or exchanges on or after May 6, 2003. Because of the mid-year effective date, there are transitional rules for 2003. The new rates on dividends and capital gains are set to expire after 2008.

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**Example:**
Malcolm received $20,000 of dividends on his stock portfolio in 2002. In his 38.6% marginal tax bracket, he paid $7,720 tax on his dividends last year.

This year the same amount of qualified dividends will generate just $3,000 of income tax. Result: Malcolm is ahead by $4,720.
Planning Counts

Good year-end planning must be focused beyond the current year. It should be designed to position you for best results in the future as well. Give careful consideration to moves that will help you reach your long-term objectives while cutting your tax bill this year. Because interest rates are low, many people are looking for an attractive and tax-advantaged source of reliable income. If you have charitable objectives, there are many strategies that can work well for you, including a charitable gift annuity.

Example:
Jim and Beth, both 72, have a $100,000 CD coming due. If they renew the CD, they will earn only 3%. They would like to provide for Hamilton, but they need to continue to receive annual income.

They decide to transfer the proceeds of their CD to the College in exchange for a charitable gift annuity (CGA) that will pay 6% during their lifetimes. The CGA will pay them $6,000 each year and $3,732 will be tax free.

The gift also generates a current income tax deduction in the amount of $29,784. In their 28% tax bracket, this saves them $8,340. Jim and Nancy’s CGA helps to reduce their current tax liability, creates a source of increased cash flow and ultimately establishes a permanent endowment at Hamilton College.

Charitable Trusts

Another charitable giving option — a unitrust — allows multiple contributions that provide the donor with income tax deductions and tax savings while deferring most or all of the income distributions until retirement.

Example:
David, age 50, wants to increase his retirement security and find a way to make a contribution to Hamilton, however, he has made all the tax deductible contributions he can make to traditional retirement plans. David decides to begin contributing $20,000 each year to a charitable unitrust, until he retires in 15 years.

The trust grows by 8% annually until it starts distributing 5% of its value to David each year when he reaches the age of 65. David’s first distribution from the trust will be $27,150. Provided the trust continues to realize an 8% annual return, the distributions to David will grow to more than $46,000 per year. In addition, he will be eligible for income tax deductions of approximately $108,800. Distributions from the unitrust that represent qualifying dividends and capital gains will be taxed at only 15%.
2003 Personal Planning Checklist

_____ 1. Review requirements of “qualifying” dividends before selling securities.

_____ 2. If you do not itemize deductions, you might benefit by doubling your annual charitable contributions every other year, allowing you to itemize in the years you make the gifts without affecting the standard deduction in the other years.

_____ 3. Use all tax-advantaged retirement savings opportunities.

_____ 4. If you have stocks that are down and you do not have much confidence in their future performance, consider selling to realize a loss that can be used to offset otherwise taxable gain. If your loss exceeds your gain, you can deduct up to $3,000 of loss against ordinary income, and any excess can be carried forward into future years.

_____ 5. If you wish to adjust your portfolio, consider transferring some appreciated assets to a qualified charitable remainder trust. No capital gains will be paid by you on the initial transfer or by the tax exempt trust when the asset is sold. The income-tax deduction may offset the tax due on the sale of securities outside of the trust.

_____ 6. Reduced tax rates mean greater disposable income, the economic measure with the highest correlation to charitable giving. Increased disposable income and stock market indices trending upward suggest that year-end 2003 may be a good time to review charitable plans for Hamilton.

_____ 7. Review “Tax Cuts Mean Extra Cash Now” on the IRS Web site (www.irs.gov) and the Planned Giving page on the Hamilton College Web site (www.hamilton.edu/alumni/PlannedGiving/).

_____ 8. Consider establishing a Roth IRA for gainfully employed children or grandchildren.

Send for our Free Booklet

This issue of Hamilton Plans has provided some general information about the 2003 tax act. To learn more about the recent changes, you are invited to request a complimentary copy of our booklet, Giver’s Guide to Federal Taxes, by returning the reply card or calling Ben Madonia at 1-866-729-0317.
The training of Swampy Marsh stood me in good stead,” noted Charles G. “Chuck” Brink ’46. “My Hamilton education taught me the importance of language as a means of expression and persuasion.”

Those skills, honed under the watchful eye of Professor of Rhetoric and Oratory Willard “Swampy” Marsh, served Chuck well throughout the years. He enjoyed success in three careers — radio and television broadcasting, managing his family's business, the Binghamton Industrial Supply Co., Inc., and, at SUNY Binghamton, as both an adjunct faculty member and as a volunteer, where he began the university’s planned giving office.

Combining business savvy and planned giving expertise, Chuck and his wife, Nancy, recognized the advantages of completing a charitable gift annuity during their lifetimes rather than meeting their philanthropic objectives through a will provision. Their first annuity worked so well, they completed several more. Each time they make additional annuity contributions, they increase their income, reduce capital gains tax on their appreciated securities, save income taxes and remove the property from their estates in much the same way as a bequest.

Through their gifts, the Brinks are doing their part to ensure that Swampy’s commitment to effective communication remains the hallmark of a Hamilton education.
Hamilton has received many wonderful and generous estate plan gifts for unrestricted and specific purposes. Donors who have made provisions for Hamilton through their estate plans or planned gifts qualify as Joel Bristol Associates. This recognition society is named for one of the original supporters of the Hamilton-Oneida Academy, whose family has long been associated with the College.

Please advise the College if you have included Hamilton in your estate plan, would like to, or are interested in making a planned gift, so you may be thanked and honored as a Joel Bristol Associate.

The next issue will focus on updating your will.