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Highlights of the Jobs and Growth Tax Relief Reconciliation Act

1. Accelerate the Increase in Child Tax Credit
 - a. For 2003 and 2004
 - i. Increases the amount of child tax credit to \$1,000 for 2003 and 2004.
 - ii. Amount of child tax credit (of up to \$400 for 2003) will be refunded in advance to eligible individuals commencing in July 2003
 - b. After 2004
 - i. Amount of credit reverts to the level provided under present law.

2. Accelerate Marriage Penalty Relief – These reductions benefit married couples who claim the standard deduction or who have a taxable income greater than \$47,450
 - a. Standard Deduction Marriage Penalty Relief
 - i. Standard deduction for married couples is increased to double the amount of the standard deduction for single taxpayers in 2003 and 2004.
 - b. Accelerate the Expansion of the 15% Tax Bracket for Married Couples Filing Joint Returns
 - i. The width of the 15% bracket for married couples is increased to twice the width for single taxpayers in 2003 and 2004.
 - c. After 2004
 - i. The relationship between the standard deduction for joint filers and single filers reverts to present law.

3. Accelerate Reductions in Individual Income Tax Rates*
 - a. Summary of Revised Income Tax Rates

Bracket	Single	Joint Filing	Head of Household	Married Filing Separately
10% Bracket	\$0-7,000	\$0-14,000	\$0-10,000	\$0-7,000
15% Bracket	7,001	14,001	10,001	7,001
25% Bracket	28,401	56,801	38,051	28,401
28% Bracket	68,801	114,651	98,251	57,326
33% Bracket	143,501	174,701	159,101	87,351
35% Bracket	311,951	311,951	311,951	155,976
Standard Deduction	\$4,750	\$9,500	\$7,000	\$4,750

*Sources: The Wall Street Journal, May 29, 2003; Financial Planning Association's Executive Summary on JGTRRA, June 6, 2003.

- b. Ten-Percent Regular Income Tax Rate
 - i. Income levels scheduled to become effective in 2008 become effective in 2003 and 2004.
 - ii. For 2003, the taxable income level for the 10% regular income tax rate for single individuals is increased from \$6,000 to \$7,000 and for married

taxpayers filing a joint return the rate is increased from \$12,000 to \$14,000.

- iii. For taxable years beginning after 2003, the taxable income levels for the 10% rate bracket will be adjusted for inflation.
 - iv. The provisions affecting the 10% rate bracket are effective for taxable years beginning after December 31, 2002 and before January 1, 2005.
 - c. **Reduction of Other Regular Income Tax Rates**
 - i. For taxable years beginning in 2003 and thereafter, the regular income rate brackets in excess of the 15% bracket are 25%, 28%, 33% and 35%, a decrease from 27%, 30%, 35% and 38.6% respectively.
 - ii. The lower rates are effective for taxable years after December 31, 2002.
 - iii. The new provision does not modify the application of the rate reductions contained in the Economic Growth and Tax Relief Reconciliation Act.
 - d. **Alternative Minimum Tax Exemption Amounts**
 - i. The AMT exemption amounts are increased as follows:
 - 1. \$40,250 for unmarried taxpayers, an increase of \$4,500
 - 2. \$58,000 for taxpayers filing jointly and surviving spouses, an increase of \$9,000.
 - ii. This increased exemption amount is effective for taxable years beginning after December 31, 2002 and before January 1, 2005.
4. **Reductions In Taxes on Capital Gains and Dividends**
- a. **Reduce Individual Capital Gains Rates**
 - i. The 10 and 20-percent rates on net capital gains are reduced to 5 percent (zero after 2007) and 15 percent, respectively.
 - ii. Reduced rates apply to both the regular tax and the alternative minimum tax (AMT)
 - iii. Lower rates generally apply to capital assets held for more than one year that are sold or exchanged on or after May 6, 2003 and ending before January 1, 2009
 - b. **Dividend Tax Relief for Individuals**
 - i. Dividends received by an individual shareholder from domestic and qualified foreign corporations are generally taxed at the same rates that apply to capital gains.
 - ii. Provision applies to dividends received in taxable years beginning after 2002 and before 2009

Source: Joint Committee on Taxation, "Summary of Conference Agreement on Jobs and Growth Tax Relief Reconciliation Act," May 22, 2003

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