



President Bush’s Economic Plan and You

On May 28, President Bush signed the Jobs and Growth Tax Relief Reconciliation Act into law. The Act could help Americans have more to spend, save and invest. It also has the potential to provide a much-needed boost to the economy. The Act has four major categories: dividends and capital gains, individual rates, marriage penalty and child tax credit.

<p>Dividends and Capital Gains</p>	<p>The Act reduces the dividend tax to 15% for anyone in the top four tax brackets through 2008. (This applies to dividends paid by domestic and qualifying foreign corporations.¹) It decreases the long-term capital gains tax rate from 20% to 15%.</p> <ul style="list-style-type: none"> • The Act does not change the short-term capital gains tax rate, which currently corresponds with your income tax rate
<p>Individual Income Tax Rates</p>	<p>The Act drops the top rate from 38.6% to 35% and other brackets are trimmed by two points. This is an acceleration of previously scheduled tax cuts.</p> <ul style="list-style-type: none"> • The 10% bracket is also expanded for 2003 and 2004, and will be adjusted for inflation in 2004. • The cuts are retroactive to 2003 and remain until 2011
<p>Marriage Penalty</p>	<p>The Act increases the standard deduction for married couples to \$9,500 and expands the 15% tax bracket for married couples..</p> <ul style="list-style-type: none"> • The changes reduce the “marriage penalty”—the difference between the tax couples pay and the amount they would have paid as two single persons
<p>Child Tax Credit</p>	<p>The Act immediately boosts the child tax credit from \$600 to \$1,000.</p> <ul style="list-style-type: none"> • The credit drops back to \$700 in 2005 and \$500 in 2011 • Singles with an AGI over \$75,000 and married couples with an AGI over \$110,000 do not qualify

So What Does This Mean for You?

The Act attempts to impact millions of Americans in a number of ways:

- The income tax rate reductions may help many Americans see a reduction in their federal income taxes and more money in their paychecks
- The child tax credit increase may help many parents/guardians when the Department of the Treasury begins to issue checks of up to \$400 per child beginning in July

¹ Some dividends are not eligible for the reduced rates. Consult your tax professional for more information.

- The White House estimates that the Act will help to create more than one million new jobs and could boost the nation's gross domestic product by about 1% over the next year²
- The top capital gains tax rate cut may encourage more investing, stimulating the financial markets
- Dividend income taxed at a lower rate may encourage more companies to pay dividends—putting more money in the pockets of older Americans who rely on dividends for income

Should I Change My Investment Behavior?

Based on the Jobs and Growth Tax Relief Reconciliation Act, you might want to re-evaluate some aspects of your current financial plan:

- More money in your paycheck? Sock more of it away to save for your retirement or your child's education. Our automatic investment plan, AssetBuilder, makes it effortless.
- If you're calculating a taxable equivalent yield to determine whether tax-exempt securities are right for you, be sure to use the new tax rates.
- The sizable difference in short-term and long-term capital gains rates may cause you to pay more attention to the timing of your stock or mutual funds sales

Keep in mind, though, that many of these new perks have "sunset provisions" that expire within several years. Always remember that it's never a good idea to change your investment behavior without first talking with your financial advisor.

In Our Opinion...

"We think the President's package is good medicine for the economy," says Chief Investment Officer Kurt Wolfgruber. "We believe the third quarter of 2003 is where we will see the bulk of the response and activity to the new package," Wolfgruber added.

To learn more about how the Jobs and Growth Tax Relief Reconciliation Act could impact you, speak with your tax professional or financial advisor.

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² "President Signs Jobs and Growth Plan: Remarks by the President at Signing of Jobs and Growth Tax Relief Reconciliation Act of 2003."