

The statistics in this report reflect, in general, changes in law and regulations that became effective during the 2003 accounting periods covered. Depending on the accounting period used and effective date of the change in law, the changes may have been fully applicable for some corporations, only partially applicable for others, and not applicable at all for still others.

The information that follows highlights the major changes that substantially affected the comparability of the statistics in this report with those of prior years. More detail on the specific provisions that were changed is contained in Section 5, Explanation of Terms.

Electronically Filed Form 1120 Corporate Tax Returns

Tax Year 2003 was the first year in which corporations could elect to file their Form 1120 and related forms and schedules electronically. With strict electronic filing requirements in place during the first year of eligibility, approximately 650 filed electronically and were selected for inclusion in the SOI sample.

Special Depreciation Allowance

The special 50% depreciation allowance for qualified property (acquired after May 5, 2003) and placed in service in 2003 continued for Tax Year 2003 filers. The maximum section 179 expense deduction for qualified property placed in service in 2003 increased from \$24,000 to \$100,000 (\$135,000 for qualified zone property, qualified renewal property or qualified New York Liberty zone property). The threshold cost of section 179 property before limitation also increased from 200,000 to 400,000.

The Jobs and Growth Tax Relief Reconciliation Act of 2003

The Jobs and Growth Tax Relief Reconciliation Act of 2003 reduced the general tax rates applicable to net capital gains for individuals. Qualified dividends were also affected by the new gains rate under the new section 1(h)(11). The new rate applies to long-term capital gains occurring after May 5, 2003, and to qualified dividends received after December 31, 2002. This data was only captured for S corporations. These gains are included in the statistics for all corporations but the portion of the gains that was subject to the reduced tax rate is not separately identified.