



## Customer Service Unit Invites You To: SPEAK UP AND BE HEARD!

By CDR Amy D. Lindberg, USNR

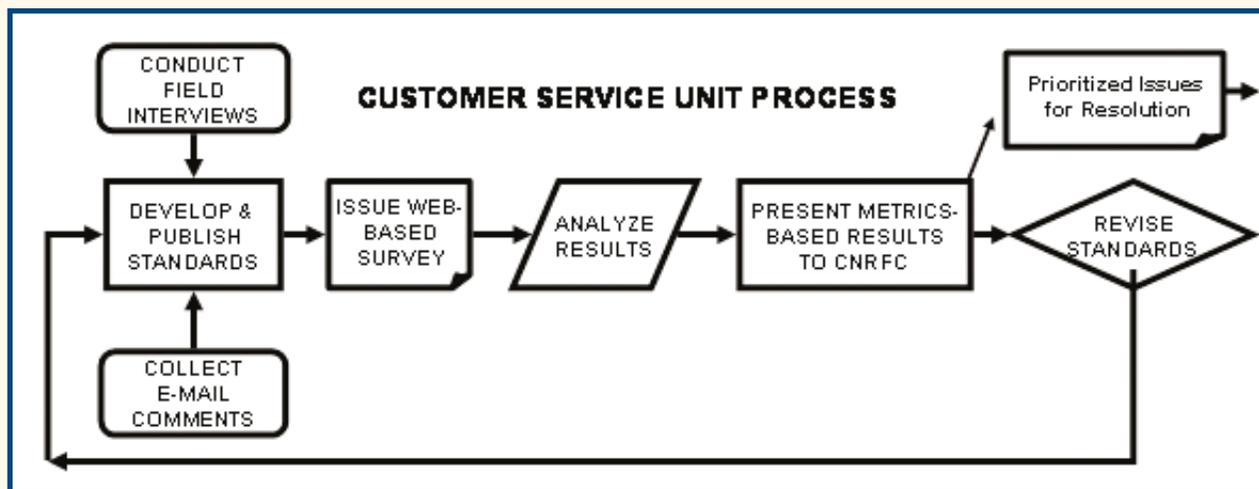
Got a comment or a recommendation? Not sure where to turn? Now, *in addition to your chain of command*, you can contact Commander Naval Reserve Forces Command (COMNAVRESFORCOM) Customer Service Directorate's newly established Customer Service Unit (CS Unit) at: [customer.service@navy.mil](mailto:customer.service@navy.mil). The CS Unit is comprised of ten Selected Reservists and one Full-Time Support, encompassing a variety of ranks, rates, and professions. The CS Unit is your new vehicle for delivering a consultant-style perspective *directly* to COMNAVRESFORCOM.

### *CS UNIT — What they do:*

- Establish & maintain Customer Service Standards to improve delivery of service at all Echelons
- Measure effectiveness of Reserve Activities at meeting established standards
- Identify and promote Reserve Activity “Best Practices” for delivering outstanding customer service
- Identify and assess the need for change in the delivery of customer service
- Collect and communicate concerns, problems, and issues to COMNAVRESFORCOM
- Develop and communicate metrics-driven survey results to COMNAVRESFORCOM
- Assess results and provide recommendations for change to COMNAVRESFORCOM and others

### *CS UNIT— How they do it:*

- Develop, issue, and analyze Reserve-wide Customer Service Surveys
- Develop, measure, and assess compliance to Customer Service Standards (all Echelons)
- Conduct Reserve Activity site visits (Interview FTS, Reservists, and consult with Commanders)
- Provide interactive Web site and e-mail communication for the Force



### ***SURVEY 2004 . . . WATCH FOR IT, SPEAK UP, AND BE HEARD!***

Look for YOUR opportunity to forge changes to the Naval Reserve by participating in the *next* Customer Service Survey (Spring 2004). This Web-based survey packs key inquiries into an efficient, one page, user-friendly format. The metrics-driven results will be *essential* for our leadership to effect positive change in our Reserve Force. The results of all surveys are posted on the Naval Reserve Web site: [www.navalreserve.navy.mil](http://www.navalreserve.navy.mil). *Customer Service Survey 2004* represents a unique opportunity to voice *your* concerns in a constructive manner that *will get results!*

# 2003 Tax Tips and Savings Options

By LT Marc J. Soss, SC, USNR

## Health Savings Accounts

### Health Savings Accounts:

Newly created accounts for current and future “qualified medical expenses” (prescription and over-the-counter drugs, long-term care services, health insurance premiums, premiums for employee’s share of employer-sponsored health insurance, etc.). Account earnings are not subject to capital gains or ordinary income tax. Medical expenses are paid from the account until the insurance deductible is reached; and any remaining account funds, at year’s end, can be rolled over tax-free and invested for either future medical expenses or retirement.

An “eligible individual” is someone covered under a high deductible health plan (\$1,000 deductible and \$5,000 expense limit for self-only coverage and \$2,000 deductible and \$10,000 expense limit for family coverage). This does not include individuals entitled to benefits under Medicare or who may be claimed as a dependent on another person’s tax return.

Each year tax-deductible account contributions are allowed up to the amount of your health plan deductible. In 2004, the maximum high deductible amount is \$2,600 for self-only coverage and \$5,150 for family coverage. All account contributions (employee and employer) for an eligible individual will be aggregated for purposes of determining the maximum annual contribution limit. Individuals, over age 55 and not Medicare eligible, may make extra annual account contributions of \$500 in 2004.

### Flexible Spending Account:

Employer offered account that allows for pretax set aside of wages for qualified expenses (child care or uncovered medical expenses [co-payments, deductibles, etc.]). The account contribution amount must be determined in advance and any unused funds are lost at year-end. Employees may set aside up to \$4,000 for expenses not covered by health insurance.

### Dependent Care Account:

An account that allows for up to \$5,000 to be set aside for child care and elder care costs (nursing care for elderly parents). You will be responsible to pay for the medical services and then be reimbursed from the account.

## Federal Income & Estate Tax Rates and Changes

Married Filing Jointly:		Single:		Head of Household:	
Taxable Income	Rate	Taxable Income	Rate	Taxable Income	Rate
\$ 00.00 - \$ 14,300	10%	\$ 00.00 - \$ 7,150	10%	\$ 00.00 - \$ 10,200	10%
\$ 14,301 - \$ 58,100	15%	\$ 7,150 - \$ 29,050	15%	\$ 10,201 - \$ 38,900	15%
\$ 58,101 - \$117,250	25%	\$ 29,051 - \$ 70,350	25%	\$ 38,901 - \$100,500	25%
\$117,251 - \$178,650	28%	\$ 70,351 - \$146,750	28%	\$100,501 - \$162,700	28%
\$178,651 - \$319,100	33%	\$146,751 - \$319,100	33%	\$162,701 - \$319,100	33%
\$319,101 -	35%	\$319,101 -	35%	\$319,101 -	35%

### Capital Gains:

The long term capital gains rate for a sale, exchange, and installment payment received on or after 6 May 2003, and before 2009, will be 15 percent for individuals in a higher than 15 percent rate bracket and 5 percent for individuals in the 10 percent or 15 percent tax brackets.

### Dividend Income:

Qualified dividend income from domestic corporations and qualified foreign corporations will be taxed at 15 percent for regular and alternative minimum tax purposes.

### Social Security Tax Base:

The tax wage base for determining the maximum amount of earnings subject to the tax is \$87,900. Once the wage base is reached, an individual will have paid \$5,449.80 in Social Security tax.

### Kiddie Tax:

A tax applicable to unearned income, in excess of \$1,500, of a child under age 14. The child’s investment income over \$1,500 will be taxed at his/her parent(s) marginal income tax rate.

### Standard Deduction:

Individual	Amount
Married (filing jointly)	\$ 9,700
Head of Household	\$ 7,150
Single	\$ 4,850
Married (filing separately)	\$ 4,850

### Personal Exemption:

The exemption amount is \$3,100 and is phased out between the following adjusted gross income amounts:

	Begin	Completely
Married (filing jointly)	\$214,050	\$336,550
Head of Household	\$178,350	\$300,850
Single	\$142,700	\$265,200
Married (filing separately)	\$107,025	\$168,275

## Gift & Unified Credit Amount

### Estate Tax Exclusion:

The applicable exclusion amount is \$1,500,000.

### Exclusion for Gifts:

Nontaxable annual gifts limits: (1) \$11,000 to any individual; and (2) \$114,000 to a non-U.S. citizen spouse. The applicable lifetime exclusion amount remains at \$1,000,000.

## College Savings Options

### Hope and Lifetime Learning Credits:

A credit of 100 percent of qualified tuition and related expenses not in excess of \$1,000 and 50 percent of such expenses in excess of \$1,000. Modified adjusted gross income in excess of \$42,000 (\$85,000 for a joint return) is taken into account in determining the reduction amount of the allowable credit.

**529 Plans:**

A nondeductible education savings plan for future college costs (tuition, housing, etc.) at any college or university in the country. The account investment grows tax-deferred, and distributions are tax-free for the beneficiary's college costs. The individual who establishes the account will control it while the beneficiary has no rights to the funds. The individual who establishes the account may also reclaim the funds at any time and subject the account earnings to both income tax and a 10 percent penalty.

An account beneficiary may be replaced with another qualifying family member. There is no income limitation or age restriction on the beneficiary. The account is classified as an asset of the account owner for federal financial aid eligibility purposes.

**Coverdell Education Savings Account:**

A nondeductible education savings account for future college costs. The annual account contribution limit is \$2,000. The account investment grows tax-deferred, and distributions are tax-free for the beneficiary's college costs. Account withdrawals while the beneficiary is in college are classified as income and will negatively impact the following year's financial aid eligibility. In addition, the account must be fully withdrawn by the time the account beneficiary reaches age 30 or be subject to tax and penalties. It is considered an asset of the beneficiary for financial aid purposes, and unused account contributions belong to the beneficiary.

**Prepaid College Tuition Plan:**

A plan that allows individuals to buy today, at an established price, all or part of a child's future tuition cost. The plan may be paid for in one lump sum or periodic payments. Gains on account investments are not taxed if the funds are used for college. Most state plans require you to be resident to participate, and not all prepaid plans are backed by the full faith and credit of the sponsoring state. If the child attends a private or out-of-state school, the account funds will be available to pay costs.

## Tax Deductions and Credits

The most commonly addressed question is whether one should take the standard deduction or itemize deductions.

**Standard Deduction:**

The standard deduction amount is the following: \$9,700 for a married couple (filing a joint return); \$7,150 for a head of household; and \$4,850 if you are single or married filing separately. An additional amount may be claimed under the following conditions: \$1,200 by a single taxpayer who is at least 65 years old or blind; \$950 by a married taxpayer who is at least 65 years old or blind; \$2,400 by a single taxpayer who is both at least 65 years old and blind; and \$1,900 by a married taxpayer who is both at least 65 years old and blind.

**Itemized Deductions:**

Most itemized deductions phase out for taxpayers with joint incomes exceeding \$142,700 or \$71,350 for a separate return filed by a married individual. Itemized deductions will also be reduced by 3 percent of the amount by which the taxpayer's adjusted gross income (AGI) exceeds the income threshold, up to a maximum of 80 percent of allowable deductions. Also, certain deductions may only be claimed if they exceed a percentage of AGI (7.5 percent for medical expenses, 2 percent for miscellaneous itemized deductions, and 10 percent for casualty losses).

**Dependent Care Expenses:**

A credit for expenses incurred for the care of a child under age 13, a disabled spouse, or dependent. The care includes, but is not limited to, the cost of day care; preschool and after school care; an incapacitated adult who lives at least 8 hours a day with you; services for an eligible dependent; and medical expenses. The expenses do not include the cost of clothing or entertainment.

**Adoption Credit:**

A \$10,390 maximum credit for the adoption of a child. The credit is phased out for taxpayers whose income is between \$155,860 and \$195,860.

**Child Tax Credit:**

A \$1,000 tax credit per qualifying child under age 17. Under the phase-out rule, the credit amount is reduced at the rate of \$50 for each \$1,000 (or fraction thereof) by which a taxpayer's modified adjusted gross income exceeds the threshold amount.

**Student Loan Interest:**

An above the line deduction for student loan interest paid on a qualified education loan. The maximum deduction amount is \$2,500 and is phased out between \$50,000 to \$65,000 for single individuals and \$100,000 to \$130,000 for joint filers.

**Qualified Higher Education Expenses:**

A \$3,000 maximum above-the-line deduction for "qualified tuition and related expenses." Eligibility is predicated on not being claimed as a dependent on another individual's tax return and is phased out at \$65,000 for single individuals and \$130,000 for joint filers.

## Retirement Accounts and Pension Plan Benefits

In 2004, the financial definition of "highly compensated employee" is \$90,000. The compensation limits for the amount that can be provided or contributed under pension and defined contribution plans are the following: (1) \$165,000 for a Defined Benefit Plan; (2) \$13,000 for a 401(k) and Thrift Savings Plan; (3) \$41,000 for a Defined Contribution Plan; and (4) \$9,000 for SIMPLE Retirement Accounts.

**Individual Retirement Account:**

IRA contributions, to be deductible, are subject to your filing status and the amount of your modified adjusted gross income (MAGI). Deductibility of the contributions is phased out for single taxpayers between \$40,000 to \$50,000 of MAGI; and for married filing jointly, between \$60,000 to \$70,000 of MAGI. As a result of the limitations, you may be entitled to deduct all, part, or none of the IRA contribution based upon your MAGI and your employment plans (if any).

If you or your spouse are covered by a pension or profit sharing plan at your civilian work, you will only be able to deduct your contributions to an IRA if you meet certain income guidelines. All others can make contributions to an IRA on a nondeductible basis. In addition, deductible IRA contributions up to \$2,000 may be made for each spouse (including a non-income producing spouse) as long as the combined compensation of both spouses at least equals the contributed amount. (One spouse would have to make \$4,000 for the couple to make a \$4,000 IRA contribution.)

**Thrift Savings Plan:**

Members of the military and federal government are eligible to make deductible contributions to a Thrift Savings Plan (TSP). You have 60 days from the date that you enter the Reserve or National Guard to make your initial election and select open periods. The amount you can contribute is based upon the applicable annual IRC contribution limit and changes annually. The 2004 IRS elective deferral limit is \$13,000. If you are over 50 years of age, you may also make an additional catch-up contribution of \$3,000. Those who contribute to the TSP from their basic pay may also contribute from their incentive or special pay (including bonus pay).

**401(k) Plans:**

Retirement savings accounts that allow an individual to save up to \$13,000 annually. Those 50 and older may make an additional catch-up contribution of \$3,000. The account assets grow tax deferred and are only subject to income tax when they are later withdrawn. Highly compensated individuals will be subject to a \$90,000 threshold.

**Roth IRA:**

This retirement account permits nondeductible contributions up to \$3,000 a year. A \$500 catch-up contribution may also be made by individuals older than 50 years.

## TIG Waiver for O5 and O6 Still an Option

NAVADMIN 044/04 recently promulgated to updated TIG waiver policy for Active and Reserve officers in the grades of commander and captain. Selected Reserve retirement eligible officers in the grades of commander and captain, with not less than two years TIG, may request a waiver and voluntarily retire in grade. It is anticipated that only waiver requests with a compelling reason will be approved since Reserve officers can fulfill TIG requirements in the IRR. As before, Selected Reserve commanders and captains will continue to request retirement under TIG policy through COMNAVPERSCOM (PERS-491B). Retirement procedures and TIG policy questions, contact COMNAVPERSCOM (PERS-491B) at (901) 874-4482/4483/DSN 882; e-mail <samuel.wywill@navy.mil>.

NAVADMIN 180/03, which previously announced the implementation of Navy TIG policy, expired on 31 December 2003.

## “Operation Hero Miles”

[www.heromiles.org](http://www.heromiles.org)

Ten airlines, 91 percent of the domestic airline market, are helping our men and women in uniform who are risking their lives for our country. Two hundred thirteen million miles have been donated by travelers and the airlines. This means that 8,500 free tickets are available for the troops.

The soldiers who have been granted two weeks of R&R are flown to Baltimore/Washington International Airport; Hartsfield International Airport in Atlanta, GA; and Dallas/Fort Worth International Airport in Texas by the Department of Defense and then required to pay their own ways to make connecting flights to their hometowns all across the country. Congressman Ruppberger is concerned about the financial burden placed on military families. That’s why he created “Operation Hero Miles.”

AirTran Airways, Alaska Airlines, American Airlines, Continental Airlines, Delta Airlines, Midwest Airlines, Pan Am and Boston-Maine Airways, Southwest Airlines, United Airlines, and US Airways are participating in “Operation Hero Miles.” Information can be found on the Web site <[www.heromiles.org](http://www.heromiles.org)>.

This site is a clearinghouse for soldiers, their families, and travelers filled with information about how to donate frequent flyer miles, how soldiers can receive complimentary tickets, and other ways to help our troops serving our country in Iraq.

## Retirement Point Value

*By CAPT Tom McAtee, USNR (Ret)*

Retiring in 2004? Here is the monetary value of one point per month in retired pay. To place a full monetary value on one point would be somewhat difficult. The difficulty would be in figuring the value of the entitlements and benefits that accompany retirement pay, such as TRICARE.

GRADE	CENTS per point	GRADE	CENTS per point
E-6 over 20	19.5	O-1 over 20	19.8
E-7 over 22	24.3	O-2 over 20	25.0
E-8 over 24	28.3	O-3 over 20	34.1
E-9 over 26	35.1	O-3E over 20	36.4
W-2 over 24	28.5	O-4 over 20	39.8
W-3 over 24	31.7	O-5 over 22	47.0
W-4 over 26	37.8	O-6 over 26	57.5