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SBC COMMUNICATIONS INC
Form 11-K
June 24, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT

Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

Commission File Number 1-8610

A. Full title of the plan and the address of the plan,
if different from that of the issuer named below:

The Southern New England Telephone Company
Tax Reduction Act Stock Ownership Plan

B. Name of issuer of the securities held pursuant to the
plan and the address of its principal executive office:

SBC COMMUNICATIONS INC.

175 E. Houston, San Antonio, Texas 78205

The Southern New England Telephone Company
Tax Reduction Act Stock Ownership Plan

Financial Statements, Supplemental Schedules and Exhibit

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Report of Independent Registered Public Accounting Firm

SBC Communications Inc. and
Plan Administrator for The Southern New England Telephone Company
Tax Reduction Act Stock Ownership Plan

We have audited the accompanying statements of net assets available for benefits of The Southern
Reduction Act Stock Ownership Plan as of December 31, 2003 and 2002, and the related statement of
benefits for the year ended December 31, 2003. These financial statements are the responsibility
responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight
standards generally accepted in the United States of America. Those standards require that we pl
reasonable assurance about whether the financial statements are free of material misstatement. A
test basis, evidence supporting the amounts and disclosures in the financial statements. An audi
accounting principles used and significant estimates made by management, as well as evaluating th
presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respect
benefits of the Plan at December 31, 2003 and 2002, and the changes in its net assets available f

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December 31, 2003, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken supplemental schedules of assets (held at end of year) as of December 31, 2003, and reportable tr are presented for purposes of additional analysis and are not a required part of the financial st information required by the Department of Labor's Rules and Regulations for Reporting and Disclos Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's m schedules have been subjected to the auditing procedures applied in our audits of the financial s fairly stated in all material respects in relation to the financial statements taken as a whole.

San Antonio, Texas
June 21, 2004

/s/ ERNST & YOUNG LLP

The Southern New England Telephone Company
Tax Reduction Act Stock Ownership Plan

Statements of Net Assets Available for Benefits
(Dollars in Thousands)

| | December 31 | |
|--|-------------|-------|
| | 2003 | 200 |
| Assets | | |
| Investment in common stock of SBC Communications Inc., at fair value | \$ 9,244 | \$ 10 |
| Cash equivalents | 120 | |
| Net assets available for benefits | \$ 9,364 | \$ 10 |

See accompanying notes.

The Southern New England Telephone Company
Tax Reduction Act Stock Ownership Plan

Statement of Changes in Net Assets Available for Benefits

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Year Ended December 31, 2003
(Dollars in Thousands)

Additions:

Dividend income
Interest income

\$

Total additions

Deductions:

Net depreciation of SBC Communications Inc. common shares
Distributions to participants

Total deductions

Net decrease

Net assets available for benefits, beginning of year

Net assets available for benefits, end of year

\$

See accompanying notes.

The Southern New England Telephone Company
Tax Reduction Act Stock Ownership Plan

Notes to Financial Statements
December 31, 2003 and 2002
(Dollars in Thousands)

1. Plan Description

The Southern New England Telephone Company Tax Reduction Act Stock Ownership Plan (the Plan) was established by the Southern New England Telephone Company (SNET) under the provisions of the Tax Reduction Act of 1975 as amended in 1986, to provide shares of the sponsor company's common stock to eligible employees. SNET is a wholly owned subsidiary of SBC Communications Inc. (SBC).

The following description of the Plan provides only general information. The Plan text and prospectus contain the full text of Plan provisions. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974.

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The Plan permitted an employer to claim a credit against its federal income tax liability if an amount claimed was applied to the purchase of its common shares to be held in trust for the benefit of employees. The amounts were based upon amounts allowed by law, and were allocated to eligible employees based upon a ratio of compensation.

The Tax Reform Act of 1986 repealed the income tax credit on employee stock ownership plan contributions accrued after December 31, 1986. No contributions were made to the Plan beginning with the 1987 plan year. Participants in the Plan on December 31, 1986 are eligible for participation in the Plan and continue to maintain their accounts. Employees who did not have a balance in the Plan at that time are not eligible to participate.

Although it has not expressed any intent to do so, SBC has the right under the Plan to terminate the Plan in accordance with the provisions of ERISA. In the event that the Plan is terminated, subject to the conditions set forth in the Plan, the net assets be distributed to participants in amounts equal to their respective interests in the Plan.

2. Summary of Significant Accounting Policies

The fair value of SBC common stock is determined on the basis of the closing price per share on the last official close of the New York Stock Exchange. Temporary cash investments are valued at cost, which may differ from fair value. Purchases and sales of securities are reflected as of the trade date. Dividend income is recognized when received. Interest earned on investments is recognized on the accrual basis.

The Plan provides for investments in investment securities, which in general, are exposed to various risks, including credit, and overall market volatility risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investment securities will occur in the near term that may materially affect the amounts reported in the statements of net assets available for benefits and distributions.

All administrative expenses of the Plan are paid by SBC.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements and accounts. Actual results could differ from those estimates.

3. Allocations and Distributions to Participants

The Plan maintains an account for each participant. Distribution of the shares allocated to a participant is made to a participant after termination of employment but no later than April of the plan year following the termination. If a participant attains age 70 1/2, or to a beneficiary as soon as practicable after the participant's death, the participant or beneficiary may elect to receive stock or cash, but if no election is made, the distribution will be made in cash.

All quarterly dividends for a year earned on shares in participants' accounts are held in an interest-bearing account for the participants on an annual basis in November of each year. Effective January 1, 2002, the Plan was amended to give participants the option to reinvest dividends on SBC common stock held in their accounts. Reinvested dividends are used to purchase additional shares of SBC common stock. Interest earned on the dividends is allocated to participant accounts as cash and paid to the participant at the time of distribution of the account.

4. Tax Status

The Internal Revenue Service (IRS) issued a determination letter on March 26, 2004, stating that the Plan is a qualified plan designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Plan has received a determination letter from the IRS. The Plan Administrator believes that the Plan is currently in compliance with the applicable requirements of the IRC.

5. Reconciliation Between Financial Statements and Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements and Form 5500 as of December 31:

| | 2003 | 2002 |
|--|----------|-------|
| | ----- | ----- |
| Net assets available for benefits per the financial statements | \$ 9,364 | \$ |

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Less: Distributions payable to participants (41)

Net assets available for benefits per the Form 5500 \$ 9,323 \$

The following is a reconciliation of benefits paid to participants per the financial statements to December 31, 2003:

Distributions to participants per the financial statements \$

Add: distributions payable to participants at December 31, 2003

Less: distributions payable to participants at December 31, 2002

Distributions to participants per the Form 5500 \$

Distributions payable to participants are recorded on the Form 5500 for benefit claims that have payment prior to December 31, but not yet paid as of that date.

The Southern New England Telephone Company
Tax Reduction Act Stock Ownership Plan

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
EIN: 06-0542646 Plan No.: 003

December 31, 2003
(Dollars in Thousands)

| Name of Issue, Borrower, Lessor or Similar Party | Description of Investment | Cost | |
|--|---------------------------|----------|----|
| * SBC Communications Inc. Common Stock | 354,584 shares | \$ 3,335 | \$ |
| * Mellon Trust of New England, National Association Pooled Employee Funds Daily Liquidity Fund | Temporary cash investment | 120 | |
| | | \$ 3,455 | \$ |
| * Party-in-Interest. | | | |

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The Southern New England Telephone Company
Tax Reduction Act Stock Ownership Plan

Schedule H, Line 4j - Schedule of Reportable Transactions
EIN: 06-0542646 Plan No.: 003

Year Ended December 31, 2003
(Dollars in Thousands)

| Identity of Party Involved | Description of Asset | Purchase Price | Selling Price | Cost of Asset | |
|---|---|----------------|---------------|---------------|----|
| ----- | | | | | |
| Category (iii) - Series of Transactions in Excess of 5 Percent of Plan Assets | | | | | |
| *SBC Communications Inc. | SBC Communications Inc. common stock | \$ 31 | \$ - | \$ 31 | \$ |
| *SBC Communications Inc. | SBC Communications Inc. common stock | - | 526 | 205 | |
| *Mellon Trust of New England, National Association | Pooled Employee Funds Daily Liquidity Fund | 1,388 | - | 1,388 | 1 |
| *Mellon Trust of New England, National Association | Pooled Employee Funds Daily Liquidity Fund | - | 1,396 | 1,396 | 1 |

* All transactions were purchased and sold on the market.

There were no Category (i), (ii) or (iv) reportable transactions during the year ended December 31, 2003.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrator for this report to be signed by the undersigned thereunto duly authorized.

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The Southern New England Telephone Company
Reduction Act Stock Ownership Plan

By SNET Telecommunications Corporation, P
Administrator for the Foregoing Plan

By /s/ Michele Macauda

Michele Macauda
President and Chief Executive
Officer

Date: June 23, 2004

EXHIBIT INDEX

Exhibit identified below, Exhibit 23 is filed herein as an exhibit hereto.

Exhibit
Number

23 Consent of Independent Registered Public Accounting Firm

Form 11
File

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-9935
England Telephone Company Tax Reduction Act Stock Ownership Plan of our report dated June 21, 200
statements and supplemental schedules of The Southern New England Telephone Company Tax Reduction

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in this Annual Report (Form 11-K) for the year ended December 31, 2003.

/s/ ERNST & YOUNG LLP

San Antonio, Texas
June 21, 2004