

THE ECONOMIC STIMULUS PACKAGE OF 2009

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On February 17th, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). It is effective as of February 17th, 2009.

The Act includes tax cuts, expansion of unemployment benefits, other social welfare provisions, and domestic spending in education, health care and infrastructure, including energy.

The total cost of the Act is \$787 billion to be spent as follows:

- 37% -- Tax Cuts (\$288 billion)
- 18% -- State & Local Fiscal Relief (\$144 billion)
- 45% -- Social and Federal Spending programs (\$643 billion)

TAX CUTS

Payroll tax credit of \$400 per worker (\$800 per couple) in 2009 and 2010 – if your income is under \$75,000 per person or \$150,000 per couple.

For 2009 the Alternative Minimum Tax floor is increased to \$70,950 for joint filers.

Child tax credit is expanded.

Earned income tax credit to aid low income workers is expanded.

College credit is expanded to provide a \$2,500 tax credit for college tuition for 2009 and 2010 except for couples make more than \$160,000.

Homebuyer credit of \$8,000 for all homes bought in from Jan 1 – Dec 1, 2009. The repayment provision is repealed for homes purchased in 2009 and held more than 3 years.

Home Energy Credit to make your home more energy efficient in 2009 and 2010. You could recoup 30% of the cost up to \$1500 of projects such as installing energy efficient windows, doors, furnaces and air conditions.

The first \$2,400 received in unemployment compensation benefits in 2009 will not be subject to tax.

Bonus Depreciation – Businesses buying equipment such as computers can speed up depreciation through 2009.

Money losing companies can use current losses to offset profits made in the previous 5 years instead of 2, making them eligible for tax refunds.

Government agencies cannot withhold 3 % of payments to contractors to help insure they pay their tax bills.

\$13 billion is available until 2013 to extend tax credits for renewable energy production.

Firms buying money losing banks are not permitted to use more of the losses as tax credits to offset profits for the merged banks for tax purposes. This would increase the taxes on merged banks.

Favorable tax treatment will be given for bonds to subsidize locally issued bonds for school construction, teacher training, economic development and infrastructure improvement.

Sales tax deductions are allowed for persons purchasing autos unless income is above \$250,000.

If you require more information about these provisions, please call my office.