

Stimulus Bill- Highlights

The American Recovery and Reinvestment Act of 2009 contains stimulus measures and nearly \$300 billion in tax relief. Major provisions of the Act include:

- By this month, individuals with earned income will begin seeing additional money in their paychecks. The credit is equal to the lesser of 6.2% of earned income or \$400 (\$800 for joint filers). The credit begins phasing out for those with modified adjusted gross income exceeding \$75,000 (\$150,000 for married couples).
- The alternative minimum tax exemption has been increased to avoid hitting more taxpayers. The exemption amounts for 2009 are \$46,700 for single taxpayers and heads of households and \$70,950 for married couples. The 2008 levels were \$46,200 and \$69,950 respectively. The 2009 rates would have dropped to \$33,750 for singles and heads of households and \$45,000 for married couples.
- For 2009 only, Social Security recipients and others on fixed income will receive a check for \$250 although if the taxpayer is also eligible for the Making Work Pay credit, it will be offset by the \$250 check.
- The Housing Assistance Tax Act of 2008 introduced a first-time home buyers' credit for homes purchased after April 8, 2008 and before July 1, 2009. The Recovery and Reinvestment Act raises the credit to \$8,000 and extends it to home purchases made after 2008, through December 1, 2009.
- Car buyers also receive a tax benefit under the new law, with an above-the-line deduction for state and local sales tax or excise taxes paid on the purchase of new vehicles. The deduction applies only to the tax on the first \$49,500 of the purchase price and begins phasing out for taxpayers with AGI exceeding \$125,000 for singles, \$250,000 for couples. Only purchases made on or after February 17, the date President Obama signed the bill, qualify.
- Small businesses will benefit under the new law, with an extension of the capital expensing allowance. Under the Economic Stimulus Act of 2008, the amount of capital assets that can be expensed in the current year, rather than being depreciated over several years, was increased from \$125,000 to \$250,000. The Recovery and Reinvestment Act extends that level through 2009.
- Estimated tax payments may drop for some small business owners. Safe-harbor provisions allow individual taxpayers to avoid under-withholding penalties by making

quarterly tax payments equal to 100% of the prior year's income tax liability (110% if the prior year's AGI exceeded \$150,000).

- Employees who are laid off between September 1, 2008 and January 1, 2010, will receive a break on health insurance coverage under COBRA rules. The taxpayer can elect to pay 35% of the coverage amount, with the former employer paying 65%. The employer is entitled to a credit against income tax withholding and payroll taxes for the amount paid.