



Danversbank Financial Services
 Carlie Dugan
 Financial Advisor
 One Conant St
 Danvers, MA 01923
 978-646-0315
 Carlie.Dugan@Danversbank.com
 RaymondJames.com/Danversbank

RAYMOND JAMES®
 FINANCIAL SERVICES, INC.
 Member FINRA/SIPC

American Recovery and Reinvestment Act of 2009: Individuals



On February 17, 2009, President Obama signed into law the \$787 billion American Recovery and Reinvestment Act of 2009. The Act contains hundreds of provisions affecting individuals, including new and modified

tax credits and deductions, temporary alternative minimum tax (AMT) relief, and several provisions that offer targeted financial assistance.

Making Work Pay tax credit

The Making Work Pay tax credit is a new refundable personal income tax credit available for 2009 and 2010 only. The credit is equal to 6.2% of your earned income, up to \$400--up to \$800 if you're married and file a joint tax return (MFJ).

The credit is phased out for higher-income individuals. Your credit is reduced if your modified adjusted gross income is greater than \$75,000 (\$150,000 MFJ), and eliminated if your modified adjusted gross income is \$95,000 (\$190,000 MFJ) or more.

And there's one more wrinkle--if you receive a \$250 economic recovery payment under the American Recovery and Reinvestment Act because you were eligible for Social Security, Railroad Retirement, or veterans benefits, the amount of the Making Work Pay credit you'd otherwise be entitled to is reduced by that amount.

The IRS has issued new withholding tables that reduce federal income tax withholding requirements to reflect the tax credit. If you're eligible for the credit, you don't have to do anything--your employer will automatically adjust your withholding, so you'll see an increase in your take-home pay.

The credit is not available to:

- *Nonresident aliens*
- *Individuals who can be claimed as a dependent by someone else*
- *An estate or trust*
- *Those who do not include a valid Social Security number on their tax return*

Special rules apply to individuals in U.S. possessions

Are you self-employed?

If you're self-employed, qualify for the credit, and don't want to wait until you file your federal income tax return, you should consider adjusting your estimated tax payments.

American Opportunity tax credit

For 2009 and 2010, the Hope tax credit is expanded and renamed the American Opportunity tax credit. The enhanced credit:

- Features an increased annual limit per eligible student of \$2,500
- Is now available for the first four years of post-secondary education (instead of the first two years)
- Is now partially refundable--up to 40% of the allowable credit can reduce your tax below zero, resulting in a refund
- Can be claimed against AMT liability

Credit not refundable for children, students

If you're under age 18, or a student under age 24 and provide less than one-half of your own support, the credit is generally not refundable, although exceptions apply.

The modified credit also uses an expanded definition of qualified expenses that includes course materials, and increases the income levels at which the credit phases out. Under the new credit thresholds, the credit is reduced if your modified adjusted gross income exceeds \$80,000 (\$160,000 MFJ), and eliminated if your modified adjusted gross income is \$90,000 (\$180,000 MFJ). As with the Making Work Pay tax credit, special rules apply to individuals in U.S. possessions.

First-time homebuyer tax credit



The American Recovery and Reinvestment Act expands the temporary refundable first-time homebuyer credit created by the Housing and Economic Recovery Act of 2008, and extends it to homes purchased

by qualified first-time homebuyers through November 30, 2009.

The credit remains 10% of the purchase price of a qualified home, but the dollar limit has increased from \$7,500 to \$8,000 (the cap for married

First-time homebuyers

For purposes of the credit, you're generally considered a first-time homebuyer if you, and your spouse if you're married, did not own any other principal residence during the three-year period ending on the date of purchase.

individuals filing separate returns is half that amount) for qualified home purchases made after December 31, 2008, and before December 1, 2009. In addition, if you qualify for the credit as the result of a home purchase in 2009, you don't have to pay it back over time, provided the home remains your principal residence for 36 months (if you purchased your home in 2008, any credit you were eligible for has to be repaid over a 15-year period).

The Act continues to allow you to elect to report a qualifying home purchase made in 2009 as if it occurred on December 31, 2008 (allowing you to claim the credit on your 2008 tax return). The Act also continues to eliminate the credit for those with higher incomes. The credit is reduced if your modified adjusted gross income exceeds \$75,000 (\$150,000 MFJ) and is completely eliminated if your modified adjusted gross income reaches \$95,000 (\$170,000 MFJ).

Alternative minimum tax (AMT)

Congress has passed a series of temporary fixes or "patches," instead of permanently overhauling the AMT system. Without an additional patch for 2009, the number of taxpayers affected by the AMT would have increased dramatically.

The Act increases AMT exemption amounts slightly from their 2008 levels:

Filing Status	2008	2009
Unmarried	\$46,200	\$46,700
Married Filing Jointly	\$69,950	\$70,950
Married Filing Separately	\$34,975	\$35,475

In addition, for 2009, nonrefundable personal income tax credits will continue to offset both regular tax liability and AMT liability. The Act also provides that tax-exempt interest on private activity bonds issued in 2009 and 2010 is not an item of tax preference for purposes of the AMT.

Immediate financial relief

The Act also includes several provisions designed to offer a degree of financial assistance to individuals in the short and intermediate term:

- A one-time \$250 economic recovery payment to most individuals receiving Social Security benefits, Railroad Retirement benefits, veterans benefits, or Supplemental Security Income (SSI) benefits; an individual who doesn't receive an economic recovery payment because he or she receives a government pension or annuity from work that wasn't covered by Social Security will be entitled to a \$250 refundable tax credit for 2009.
- Up to \$2,400 of unemployment compensation benefits received in 2009 will be excluded from income for federal income tax purposes.
- For individuals who lose their jobs on or after September 1, 2008, and before January 1, 2010, the Act offers assistance in the form of subsidized COBRA premiums--those who qualify will have to pay only 35% of the COBRA premiums needed to continue their health coverage, for up to 9 months. Individuals with modified adjusted gross income (MAGI) over \$125,000 (\$250,000 MFJ) have to repay some or all of the subsidy.

Other provisions included

- The Act includes a new standard deduction for state sales and excise tax related to the purchase of a qualified motor vehicle after February 17, 2009, and before January 1, 2010. Individuals who itemize deductions will claim the deduction as part of state and local taxes paid, reported on Schedule A of IRS Form 1040. The deduction is capped at the tax attributable to a maximum purchase price of \$49,500, and is phased out for individuals with MAGI exceeding \$125,000 (\$250,000 MFJ).
- For 2009 and 2010, the Act increases the refundable portion of the child tax credit, and makes changes to the earned income tax credit that benefits families with three or more qualifying children, and married couples filing a joint return.
- The Act expands the definition of qualified higher education expenses for 529 qualified tuition programs to include expenses for certain computer technology and equipment, including software, computer and peripheral equipment, and internet access, used while enrolled at an eligible educational institution (for 2009 and 2010).

Disclosure Information -- Important -- Please Review

This information, developed by an independent third party, has been obtained from sources considered to be reliable, but Raymond James Financial Services, Inc. does not guarantee that the foregoing material is accurate or complete. This information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein. Investments mentioned may not be suitable for all investors. The material is general in nature. Past performance may not be indicative of future results. Raymond James Financial Services, Inc. does not provide advice on tax, legal or mortgage issues. These matters should be discussed with the appropriate professional.

Securities offered through Raymond James Financial Services, Inc., member FINRA/SIPC, an independent broker/dealer, and are not insured by FDIC, NCUA or any other financial institution insurance, are not deposits or obligations of the financial institution, and are not guaranteed by the financial institution, and are subject to risks, including the possible loss of principal.