

We thought that you might be interested in this summary of how the stimulus plan affects your personal situation. Let us know if you would like to discuss any of the items below.

American Recovery and Reinvestment Act of 2009 becomes law

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (the 2009 "Stimulus Act"). The legislation carries a projected cost of \$787 billion, and contains hundreds of provisions. Key provisions include:

- **New Making Work Pay Tax Credit**--The Act establishes a new refundable income tax credit for 2009 and 2010 equal to 6.2% of earned income, up to \$400 (\$800 in the case of a married couple filing jointly); withholding schedules will be adjusted to increase current take-home pay to reflect the credit. The credit is phased out for individuals with modified adjusted gross income exceeding \$75,000 (\$150,000 for married couples filing jointly).
- **Earned Income Tax Credit**--The earned income tax credit percentage for families with three or more qualifying children increases from 40% to 45% for 2009 and 2010. The income thresholds at which the credit phases out for married couples filing joint returns also increases for 2009 and 2010.
- **Child Tax Credit**--For 2009 and 2010, the refundable portion of the child tax credit increases to 15% of earned income in excess of \$3,000.
- **Hope Credit**--For 2009 and 2010, the Hope credit is renamed the American Opportunity Tax Credit, the annual limit per eligible student increases to \$2,500 and the credit is now available for the first four years of post-secondary education. Up to 40% of the credit is refundable. The definition of qualified expenses now includes course materials, and the credit can be claimed against alternative minimum tax (AMT) liability. The income levels at which the credit phases out also increase significantly.
- **Tax Credit for First-Time Homebuyers**--The existing first-time homebuyer credit now applies to qualifying home purchases made before December 1, 2009, and the maximum credit amount is now \$8,000 (\$4,000 for married individuals filing separately). In addition, the recapture rules (requiring that the credit be paid back) are waived for qualifying homes purchased after December 31, 2008, and before December 1, 2009, provided that the home continues to be the taxpayer's principal residence for 36 months.
- **Deduction for Qualified Motor Vehicles**--State sales tax and excise tax related to the purchase of a qualified motor vehicle after February 17, 2009 and before January 1, 2010 can be deducted as part of the deduction for state and local taxes paid on Form 1040, Schedule A, or as part of the standard deduction. The deduction is capped at the tax attributable to a maximum \$49,500 purchase price, and is phased out for individuals with modified adjusted gross income exceeding \$125,000 (\$250,000 for married couples filing joint returns).

- **Alternative Minimum Tax (AMT)**--2008 temporary AMT provisions are extended to 2009; AMT exemption amounts are increased, and nonrefundable personal credits will continue to offset regular tax liability and alternative minimum tax liability.

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

- **Bonus Depreciation**--The additional 50% first-year depreciation deduction applies for an extra year, through 2009 (through 2010 for certain longer-lived and transportation property).
- **IRC Section 179 Expensing**--The increased limits relating to IRC Section 179 expensing now apply through 2009. As in 2008, the maximum amount that a taxpayer may expense is \$250,000 of the cost of qualifying property placed in service for the taxable year. This amount is reduced by the amount by which the cost of qualifying property placed in service during the taxable year exceeds \$800,000.
- **Net Operating Loss (NOL) Carrybacks**--Eligible small businesses (small businesses with average gross receipts of \$15 million or less) can elect to extend the existing two-year carryback period for 2008 NOLs to 3, 4, or 5 years.
- **Unemployment Compensation**--Up to \$2,400 of unemployment compensation benefits received in 2009 are excluded from gross income for federal income tax purposes.
- **Small Business Stock**--The percentage exclusion for qualified small business stock sold by an individual increases from 50% (60% for certain empowerment zone businesses) to 75% for stock issued after February 17, 2009 and before January 1, 2011.
- **Economic Recovery Payments**--Individuals who are eligible for Social Security benefits, Railroad Retirement benefits, Veteran's compensation or pension benefits, or Supplemental Security Income (SSI) benefits will generally receive a one-time Economic Recovery Payment of \$250.
- **COBRA**--For involuntary terminations that occur on or after September 1, 2008 and before January 1, 2010, individuals who qualify will only need to pay 35% of COBRA premiums for a period of up to 9 months. The remaining 65% of COBRA premiums will be subsidized. For individuals with adjusted gross income exceeding \$125,000 (\$250,000 for married individuals filing a joint return), the subsidy must be paid back in part or in full.