

Money for Life

March 2009

Dear Readers,

The American Recovery and Reinvestment Act of 2009 was signed into law by President Obama on February 12, 2009. Here are some of the features that may impact your spending/savings plans for 2009 and 2010:

- “Making Work Pay” Tax Credit. In 2009 and 2010 there will be a refundable tax credit of up to \$400 for individuals and \$800 for married couples. No checks will be mailed, instead new withholding tables are being sent by the IRS to employers who will decrease the federal taxes withheld from your pay check. Self-employed individuals will receive the credit when they file their tax returns for 2009 and 2010. The tax credit is phased out for individuals with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly).
- Economic Recovery Payment for Social Security, SSI, Railroad Retirement, and Veterans Disability Compensation Benefits. There will be a one-time payment of \$250. If the individual has earned income their “Making Work Pay” tax credit will be reduced by an equal amount.
- Federal and State Pension retirees not eligible for Social Security will also receive a \$250 benefit, with an equal amount used to reduce any “Making Work Pay” tax credit.
- Increase in Earned Income Credit for Families with three or more children. Currently the amount of credit is 40% of the families first \$12,570 of earned income and is phased-out for working families with adjusted gross income in excess of \$16,420 (\$19,540 for married couples filing jointly) The bill will increase the earned tax credit to 45% for families with three or more children and would increase the beginning point of the phase-out range for all married couples by \$1,880.
- Increase in the Refundable Child Tax Credit. In 2009 and 2010 the floor for this 15% credit will be reduced from \$8500 to \$3000.
- Refundable First-Time Home Buyer Credit. Individuals and families who buy their first home in 2009 will receive a refundable tax credit of 10% of the home’s value up to a maximum of \$8,000. Phase-out begins at an adjusted gross income of \$75,000 (\$150,000 for married couples). Repayment is no longer required unless the home is sold during the first three years.



- “American Opportunity” Education Credit. A tax credit of up to \$2,500 of the cost of tuition and related expenses will be granted in 2009 and 2010. 40% of the credit would be refundable. The phase-out begins at \$80,000 (\$160,000 for married couples).
- Sales Tax Deduction for Vehicle Purchases. Taxpayers who purchase a new car, light truck, recreation vehicle, or motorcycle in 2009 will be able to deduct the state and local sales and excise taxes. The phase-out begins at \$125,000 (\$250,000 for married couples)
- Computers as Qualified Education Expenses in 529 Education Plans. Funds withdrawn from 529 plans are not taxed if they are used to purchase computers or computer technology for college students.
- Alternative Minimum Tax Floor Extended into 2009. Individuals with incomes of \$46,700 and married couples with incomes of \$70,950 will be exempt from the tax.
- Energy Tax Credits. 30% of the cost up to a maximum of \$1,500 in credits in 2009 and 2010 will be granted for new windows, doors, furnace or air conditioning units used to improve the energy efficiency of a home.
- Plug-in Electric Drive Vehicle Credit. The base amount of the credit for placing an electric car in service is \$2,500 with increases for additional kilowatt hours of capacity.



No one wants to face unemployment, but several of the provisions in the bill will improve benefits for individuals:

- Unemployment Benefits Suspended from Taxation. In 2009 the first \$2,400 of unemployment compensation is exempt from federal taxation.
- Premium Subsidies for Cobra. Workers who are involuntarily terminated between September 1, 2008 and December 31, 2009 will only have to pay 35% of the cost of continued health care coverage
- Increase in Unemployment Compensation Benefits. Weekly unemployment benefits will increase \$25 through 2009
- Extension of Emergency Unemployment Compensation. Workers who have exhausted their benefits will be granted an additional 33 weeks of benefits.

There are many other provisions of the bill that fund programs that aid families. If you or others have been denied assistance, revisit the organizations to see if regulations or services have changed.

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