

A brief summary

The Economic Stimulus Bill of 2009



Putting People First

Businesses - Economic Stimulus Bill of 2009

Business Benefits

Deduct more costs for asset purchases

When you purchase certain types of new assets in 2009, you can take advantage of these benefits:

- Expense up to \$250,000 of certain fixed assets that you purchase when your total asset purchases are \$800,000 or less.
- In addition, for qualified assets, write-off half of the purchase price as bonus depreciation in the first year.
- Deduct up to \$10,960 of the cost of new passenger autos and up to \$11,160 for new light trucks or vans in the year of purchase.

Avoid penalties

It is now easier for individual owners of small businesses to avoid estimated tax penalties. The new "safe harbor" requires that you pay in only 90% of the prior year's tax.

Apply current year losses

If you have a current year loss, and are a small business with less than \$15 million in revenues, you will have more options in 2008 for carrying that loss back to prior years.

Now you can look back five years (rather than two) to find profitable periods where you paid tax that might be refundable.

Take credits

There are additional opportunities for credits under the bill.

- **Work Opportunity Credit** - Additional categories of employees now qualify- in 2009 the credit is available when you hire unemployed veterans and disconnected youth.
- **Previously Disallowed Credits** - Certain types of credits that have been previously disallowed can be applied in lieu of bonus depreciation.

Small businesses and S Corporations

There are increased options to exclude gains on certain small business stocks and changes in the holding period for S Corporations with built-in gains.

Individuals - Economic Stimulus Bill of 2009

Individual Benefits

Refundable Credit

Eligible individuals earning less than \$95,000 (\$190,000 for a joint return) can receive a refundable income tax credit of \$400 (\$800 for a joint return) which they will see reflected in reduced federal income tax withholding.

Tuition Credit

Taxpayers who are paying tuition for post-secondary education and earn less than \$90,000 (\$180,000 for joint filers) may qualify for the Hope credit of up to \$2,500 per year, of which up to \$1,000 is refundable. The maximum cumulative amount of the Hope Credit has been increased to \$10,000 per student.

First-time Homebuyer Credit

Up to \$8,000 of credit is available for first-time homebuyers earning less than \$95,000 (\$170,000 for joint filers) when they purchase a home after 12/31/08 and before 12/1/09. This credit may have to be repaid under certain circumstances.

529 Plans

Qualified Tuition Program educational disbursements from these plans now include expenses paid or incurred in 2009 or 2010 for the purchase of any computer technology or equipment.

Unemployment compensation exclusions

Up to \$2,400 of unemployment compensation can be excluded from taxable income in 2009.

Taxes paid on motor vehicles

Whether you itemize or take the standard deduction, you will be able to deduct the cost of certain motor vehicle taxes paid (up to a \$49,500 purchase price) for passenger automobiles, light trucks, motorcycles, or new motor homes.

Assistance with health insurance premiums paid by terminated employees

Individual employees who are involuntarily terminated between 9/1/08 and 12/31/09 and who are paying COBRA health insurance premiums will be eligible for a 65% subsidy of these premiums for up to 9 months.

Energy - Economic Stimulus Bill of 2009

Energy Related Provisions

There are a number of provisions designed to encourage energy saving investments.

Credits

- Homeowners who add solar, wind, or geothermal devices to their personal residence can claim up to 30% of the cost as a non-refundable credit. (The previous cap of \$2,000 has been eliminated.)
- A 30% investment tax credit is available on tangible property used to produce renewable electricity.
- A 30% business energy credit is available for qualified small wind energy property placed in service after 12/31/08.
- Purchase electric drive low-speed vehicles, motorcycles, and three-wheeled vehicles prior to 2012 to qualify for up to \$2,500 in credit.
- The cost of converting any motor vehicle into a qualified plug-in electric drive motor vehicle prior to 2012 can qualify for a credit of up to \$4,000.
- New qualified plug-in electric vehicles purchased after 12/31/09 can qualify for up to \$2,500 in credits.
- An energy credit of up to \$1,500 is available for homeowners who invest in qualified energy efficient improvements for their residence before 2011.
- The maximum credit for qualified hydrogen refueling property has been increased to \$200,000 through 1/1/2011.