

First Look at the Federal Stimulus Bill

In just a few short weeks in session, the new Congress has moved quickly to pass an unprecedented economic stimulus plan designed to help shore up the sagging economy. Known as the American Economic Recovery and Reinvestment Act, the 1,200+ page bill provides for more than \$787 billion on a variety of tax cuts and spending programs as the country faces the toughest recession since the Great Depression. Both the size and the scope of the legislation are stunning, and there will be more information rolling out on provisions in the bill beneficial to CAI members in the weeks and months ahead.

In our first review of the legislation, we've identified several provisions that may be of interest to CAI members.

HOMEOWNER TAX BREAKS

\$8,000 first time homebuyer tax credit for homes purchased in 2009. Under the stimulus bill a first time homebuyer will be entitled to an \$8,000 tax credit for a home purchase in 2009. This is an increase of \$500 from the \$7,500 tax credit passed by Congress in 2008. Unlike the 2008 credit, the \$8,000 credit does not have to be paid back by the homeowner. The tax credit phases out for taxpayers with an adjusted gross income of \$75,000 (single filer) or \$150,000 (joint filers).

This is less than the tax credits that CAI and the Fix Housing First Coalition were supporting for all home purchases, but it is a step up from the current \$7,500 tax credit that a homeowner must repay.

\$400 tax credit for Singles, \$800 for Couples. The act also provides for a refundable tax credit of up to \$400 for single filers and \$800 for families. The rebate would be calculated at 6.2% of earned income and phases out at incomes of \$75,000 for single filers and \$150,000 for joint filers.

Unlike the rebate checks in recent years, those qualifying for the tax credit need to make affirmative adjustments to their income withholdings to get the money added to

their paychecks or wait to get the full benefit up completion of the their 2009 tax returns.

Sales Tax Deduction for New Car Purchases. Taxpayers with an adjusted gross income of less than \$125,000 for single filers and \$250,000 for joint returns can take a tax deduction for any state, local and excise taxes on a new automobile purchase made in 2009.

Tax Credits for Energy Efficiency Improvements. Taxpayers will be allowed to take a tax credit of up to 10% of the cost for qualified energy efficiency improvements undertaking in the current taxable year.

Extension of Alternative Minimum Tax Relief. The stimulus bill extends relief for taxpayers who might fall under the Alternative Minimum Tax by increasing the ATM exemption to \$46,700 for single filers and \$70,950 for joint filers.

BUSINESS TAX BREAKS

Extension of Bonus Depreciation. Extends the ability of a business to take an immediate 50% write off for the cost of depreciable property acquired in 2009 by extending provisions from 2008 allowing for accelerated depreciation.

Extension of Small Business Expensing. Extends until 2010, provisions that allow a small business to write off capital expenditures of up to \$250,000 for expenses incurred in 2009 with an income phase out of \$800,000.

5 Year Carry-Back on Net Operating Losses. Allows small businesses, with gross receipts of \$15 million or less, to carry back losses from the current 2 to 5 years before the loss arose.

Incentives to Hire Unemployed Veterans and Disconnected Youth. Employers who hire unemployed veterans or disconnected youth can qualify for a tax credit that equals up to 40% of the first \$6,000 (\$2,400) of wages for the hired employee. An individual would qualify as an unemployed veteran if they were discharged or released from active duty

from the Armed Forces during the five year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between 16 and 25 and have not been regularly employed or attended school in the past 6 months.

The debate on whether or not these tax and spending incentives will be enough to turn the economy around begins now. In the coming weeks, we will be reporting on developments in many of the areas discussed above and other provisions that may be of benefit to you as a CAI member.