

# Select Provisions of the American Recovery and Reinvestment Tax Act of 2009

Provision	Prior Law	2009 Recovery Act
<b>Select Individual Provisions</b>		
<b>“Making Work Pay” Credit</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Refundable income tax credit for 2009 and 2010</li> <li>Credit is lesser of (1) 6.2% of a taxpayer’s earned income or (2) \$400 (\$800 for joint return)</li> <li>Credit is phased out for single taxpayers with AGI of \$75,000 to \$95,000 and for joint taxpayers with AGI between \$150,000 to \$190,000</li> <li>Provides one-time payment of \$250 to retirees, disabled individuals and SSI recipients receiving benefits from the SSA, Railroad Retirement beneficiaries and disabled veterans receiving benefits from U.S. Department of Veteran Affairs</li> </ul>
<b>Refundable Child Credit</b>	<ul style="list-style-type: none"> <li>\$1,000 tax credit for each qualifying child</li> <li>To extent credit exceeds taxpayer’s tax liability, a refundable credit equal to 15% of earned income in excess of \$8,500 is available but phases out at higher income levels</li> </ul>	<ul style="list-style-type: none"> <li>2009 and 2010 income threshold lowered for taxpayers to qualify for refundable credit</li> <li>Refundable credit equal to 15% of taxpayer’s earned income in excess of \$3,000 is allowed</li> </ul>
<b>Education Credits – New “American Opportunity” Tax Credit</b>	<ul style="list-style-type: none"> <li>Hope Credit provides a nonrefundable credit of up to \$1,800 for qualified tuition and related expenses paid for the first <i>two</i> years of a student’s post-secondary education in a degree or certificate program</li> <li>Phased out for single and joint taxpayers with modified AGI between \$50,000 and \$60,000 and \$100,000 and \$120,000, respectively</li> </ul>	<ul style="list-style-type: none"> <li>Modifies the Hope Credit for 2009 and 2010</li> <li>American Opportunity Tax Credit is credit of up to \$2,500 for qualified tuition and related expenses paid for the first <i>four</i> years of a student’s post-secondary education in a degree or certificate program</li> <li>Modified credit is 100% of first \$2,000 of qualified tuition and related expenses and 25% of the next \$2,000</li> <li>Phased out for single and joint taxpayers with modified AGI between \$80,000 and \$90,000 and \$160,000 and \$180,000, respectively</li> <li>Credit may be claimed against AMT</li> <li>40% of the credit is refundable (except if person claiming credit is a child subject to the kiddie tax)</li> </ul>
<b>Transportation Fringe Benefits</b>	<ul style="list-style-type: none"> <li>Employees can exclude from gross income up to \$230 of parking benefits and \$120 of transit or vanpool fringe benefits received</li> </ul>	<ul style="list-style-type: none"> <li>Beginning March 1, 2009, through December 31, 2011, the monthly exclusion for transit or vanpool fringe benefits is increased from \$120 to \$230</li> </ul>

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<b>Computers and 529 Plan Expenses</b>	<ul style="list-style-type: none"> <li>▪ Distributions from Qualified Tuition Programs 529 plans are excludable from income to extent used to pay for qualified higher education expenses</li> <li>▪ Computers are not considered qualified higher education expenses</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expenses paid in 2009 or 2010 for the purchase of any computer, technology or equipment or Internet access or related services qualify as qualified education expenses</li> <li>▪ Expenses for computer software designed for sports, games or hobbies do NOT qualify</li> </ul>
<b>First-Time Homebuyer Credit</b>	<ul style="list-style-type: none"> <li>▪ Refundable tax credit for first-time homebuyers equal to lesser of 1) 10% of the purchase price of a principal residence or 2) \$7,500 (\$3,750 for married taxpayers filing separately) for qualified purchases of principal residences after April 8, 2008, and before July 1, 2009</li> <li>▪ Phased out for single and joint taxpayers with modified AGI between \$75,000 and \$95,000 and \$150,000 and \$170,000, respectively</li> <li>▪ Credit is paid back ratably over 15 years (interest-free) beginning in second tax year after purchase</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit extended to purchases through November 30, 2009</li> <li>▪ Eliminates the payback provision for purchases between January 1 and November 30, 2009, unless home is sold within three years of purchase</li> <li>▪ Maximum homebuyer credit increased to \$8,000</li> </ul>
<b>Exclusion of Unemployment Compensation</b>	<ul style="list-style-type: none"> <li>▪ All unemployment compensation benefits must be included in gross income</li> </ul>	<ul style="list-style-type: none"> <li>▪ Up to \$2,400 of unemployment compensation benefits received in 2009 are excludable from gross income</li> </ul>
<b>Sales Tax Deduction for New Car Purchases</b>	<ul style="list-style-type: none"> <li>▪ Taxpayers who itemized deductions may elect to deduct state and local general sales and use taxes instead of state and local income taxes for tax years beginning before 2010</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provides a deduction for qualified motor vehicle taxes on new vehicles purchased between February 17 and December 31, 2009</li> <li>▪ Deduction allowed to both itemizers and taxpayers claiming the standard deduction but NOT to taxpayers electing to deduct state and local sales and use taxes in lieu of income taxes as an itemized deduction</li> <li>▪ Phased out for single and joint taxpayers with modified AGI between \$125,000 and \$135,000 and \$250,000 and \$260,000, respectively</li> <li>▪ Qualified motor vehicle includes 1) passenger automobile, light truck or motorcycle the gross vehicle rating of which is not more than 8,500 pounds and 2) a motor home</li> <li>▪ Allowed in computing AMT</li> <li>▪ Deduction is limited to taxes attributable to the first \$49,500 of the purchase price</li> </ul>
<b>Health Coverage Tax Credit (HCTC)</b>	<ul style="list-style-type: none"> <li>▪ HCTC was equal to 65% of qualifying health insurance premiums paid by an eligible individual for qualified health insurance for taxpayer and dependents</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increases the amount of HCTC to 80% of the taxpayer's premiums for qualified health insurance of the taxpayer and dependents</li> <li>▪ IRS is required to make an advance payment on behalf of individuals equal to 80% of premiums for qualified taxpayer and dependent coverage</li> </ul>

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<b>Alternative Minimum Tax Relief</b>	<ul style="list-style-type: none"> <li>AMT exemption amounts for 2009 were \$33,750 and \$45,000 for single and joint taxpayers, respectively</li> </ul>	<ul style="list-style-type: none"> <li>AMT exemption amounts boosted to \$46,700 and \$70,950 for single and joint taxpayers, respectively, for 2009</li> <li>Personal nonrefundable credits may offset AMT and regular tax for 2009</li> <li>Interest on qualifying private activity bonds issued in 2009 or 2010 are not treated as an AMT preference item</li> </ul>
<b>Decreased Estimated Tax Payments for Certain Small Businesses</b>	<ul style="list-style-type: none"> <li>Required annual estimated tax payment is lesser of 1) 90% of current-year tax liability or 2) 100% of prior-year tax liability (110% if AGI greater than \$150,000)</li> </ul>	<ul style="list-style-type: none"> <li>Required annual payment is the lesser of 1) 90% of the current-year tax liability, or 2) 90% of the prior-year tax liability</li> <li>Reduction only when 1) the AGI of the taxpayer for the prior year is less than \$500,000, and 2) that taxpayer certifies that more than 50 percent of the gross income shown on the taxpayer's return was from a small business that employed no more than 500 employees</li> </ul>
<b>Select Business Provisions</b>		
<b>NOL Carryback Period</b>	<ul style="list-style-type: none"> <li>Net operating losses (NOLs) may be carried back two years and forward 20 years</li> </ul>	<ul style="list-style-type: none"> <li>Eligible small businesses may carry back 2008 NOLs to three, four or five years</li> <li>Eligible small businesses are those with average gross receipts less than \$15 million</li> <li>Election to revoke the 2008 NOL carryback made prior to February 17, 2009, may be revoked by April 18, 2009</li> </ul>
<b>Bonus Depreciation</b>	<ul style="list-style-type: none"> <li>Qualified property is allowed 50% depreciation (bonus depreciation) in the year the property is placed in service in 2008, with the remaining basis depreciated at regular depreciation rates</li> </ul>	<ul style="list-style-type: none"> <li>Bonus depreciation provision extended to include property placed in service in 2009</li> </ul>
<b>Enhanced Small Business Expensing (Section 179)</b>	<ul style="list-style-type: none"> <li>Section 179 property may be expensed in the current year, instead of depreciated over the life of the asset</li> <li>2008 Section 179 depreciation expense cannot exceed \$250,000 and must be reduced by the amount by which the cost of Section 179 property placed in service exceeds \$800,000</li> <li>2009 limits were expected to drop to \$125,000 and \$500,000</li> </ul>	<ul style="list-style-type: none"> <li>2008 limits of \$250,000 and \$800,000 are extended to property placed in service in 2009</li> </ul>
<b>Cancellation of Debt Income</b>	<ul style="list-style-type: none"> <li>Discharge of indebtedness generally results in taxable income to the debtor</li> <li>Debt discharge income is realized on the repurchase of a debt instrument for less than its adjusted issue price</li> </ul>	<ul style="list-style-type: none"> <li>Cancellation of debt income ("CODI") is recognized over five years beginning in 2014 for specified types of business debt repurchased by the business in 2009 or 2010</li> </ul>

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<b>Work Opportunity Tax Credit (WOTC)</b>	<ul style="list-style-type: none"> <li>Available to employers for qualified first-year wages paid to members of one or more of nine "targeted groups" (including qualified veterans)</li> <li>Maximum credit of \$2,400 per employee (40% of up to a maximum of \$6,000 of qualified first-year wages)</li> </ul>	<ul style="list-style-type: none"> <li>Expands the credit to any unemployed veteran or disconnected youth (unemployed youth between 16 and 24) that begins work for the employer during 2009 or 2010</li> </ul>
<b>Built-in Gains for S-Corporations</b>	<ul style="list-style-type: none"> <li>C corporation electing to become an S corporation is taxed on all built-in gains at the time of election over a 10-year period</li> </ul>	<ul style="list-style-type: none"> <li>For tax years beginning in 2009 and 2010, no tax imposed on built-in gains of an S corporation if election occurred seven years prior to 2009 and 2010 tax years</li> </ul>
<b>Sale of Qualified Small Business Stock (QSBS)</b>	<ul style="list-style-type: none"> <li>Taxpayers can exclude 50% of any gain realized on the sale or exchange of "qualified small business stock" held for more than five years</li> </ul>	<ul style="list-style-type: none"> <li>For QSBS acquired after February 17, 2009, and before January 1, 2011, the 50% gain exclusion is increased to 75%</li> </ul>
<b>Select Energy Provisions</b>		
<b>New Qualified Plug-in Electric Drive Motor Vehicle Credit</b>	<ul style="list-style-type: none"> <li>Per-vehicle credit of \$2,500 plus \$417 for each kilowatt hour of capacity in excess of four kilowatt hours</li> <li>Credit limited to \$7,500 to \$15,000, depending upon gross vehicle weight</li> <li>Available only for first 250,000 vehicles sold in U.S.</li> </ul>	<ul style="list-style-type: none"> <li>Credit of \$2,500 plus</li> <li>\$417 for each kilowatt hour of capacity in excess of five kilowatt hours</li> <li>Maximum credit is \$7,500</li> <li>Available for first 200,000 vehicles sold by each manufacturer</li> </ul>
<b>Home-Improvement Energy Credit</b>	<ul style="list-style-type: none"> <li>Credit of 10% for certain energy-efficient home improvements</li> <li>Lifetime cap of \$500, no more than \$200 of which could be for windows</li> <li>Specific property purchases (fans, furnaces, water heaters) eligible for specific credits between \$50 and \$150</li> </ul>	<ul style="list-style-type: none"> <li>Credit increased from 10% to 30%</li> <li>Energy property previously eligible for the \$50 to \$150 credit is instead eligible for a 30% credit</li> <li>\$500 lifetime cap (\$200 for windows) is eliminated and replaced with an aggregate \$1,500 cap for 2009 and 2010</li> <li>The credit is extended for one year through December 31, 2010</li> </ul>
<b>Section 45 Renewable Electricity Production Credit</b>	<ul style="list-style-type: none"> <li>Credit available for electricity production by qualifying facilities</li> </ul>	<ul style="list-style-type: none"> <li>Extends placed-in-service deadlines through 2012 for wind facilities and through 2013 for other types of renewable facilities</li> </ul>
<b>Section 48 Energy Investment Credit and Election in Lieu of Section 45 Production Tax Credit</b>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Investment credit may be elected in lieu of production credit for qualified facilities</li> <li>Facility must initially qualify for Section 45 credit</li> <li>The election is irrevocable</li> </ul>

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<b>Grants in Lieu of Section 48 and Section 45 Credits</b>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>	<ul style="list-style-type: none"> <li>▪ Taxpayers may receive a grant from the Treasury Department in lieu of tax credits under sections 45 and 48 for property in service during 2009 or 2010</li> <li>▪ Most facilities eligible for a 30% grant, but certain facilities qualify for a smaller, 10% grant</li> <li>▪ Facility must be placed in service in 2009 or 2010 or construction must begin in 2009 or 2010</li> <li>▪ A basis reduction in the amount of 50% of the grant applies</li> </ul>

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