

American Recovery and Reinvestment Act of 2009

Earlier this year Congress passed, and the President signed, the American Recovery and Reinvestment Act of 2009. The new law provides immediate tax relief to both individual tax payers and businesses. Most of the tax incentives in the law are retroactive to January 1, 2009 and are effective through 2010. The following tax incentives are in effect for individual taxpayers.

Making Work Pay Credit - This credit is an amount equal to the lesser of 6.2% of a person's income or \$400 (\$800 for married couples filing jointly). Qualified taxpayers take this credit through a reduction in wage withholding or in a lump sum when filing their tax returns. Self employed individuals also qualify; self-employment earnings are taken into account when computing taxable income.

\$250 Economic Recovery Payment – This provides a one-time \$250 payment, for 2009 only, to individual on a fixed income. This primarily covers social security recipients, railroad retirees and disabled veterans. Presumably, the payments will be distributed in similar fashion as the economic stimulus payments. So, if you're a retiree and didn't file a 2008 personal tax return, you may want to do so.

First-Time Homebuyer Tax Credit – The credit is \$8,000 and does not have to be repaid. It applies to purchases of principal residences by a first-time home buyer and must be purchased (closing is complete) by December 1, 2009.

New Car Deduction – Purchase a new car, SUV, light truck, motorcycle or motor home for \$49,500 or less through December 31, 2009 and receive a tax deduction for the state and local sales tax or excise taxes paid. Sales taxes paid on leased vehicles do not qualify. Special provisions have been made for taxpayers in states that do not have sales tax.

Education Credit – The new law increases the HOPE education credit from \$1,800 to \$2,500 per year through 2010.

Child Tax Credit – The new law increases the refundable portion of the child tax credit through 2010. The minimum earned income amount to qualify is \$3,000.

Unemployment Compensation – Taxpayers receiving unemployment benefits in 2009 will not have to pay taxes on the first \$2,400 in benefits. Any benefit amounts exceeding this limit are fully taxable.

Qualified Tuition Programs – Also known as a 529 plan is a tuition program to pay qualified college tuition expenses for a beneficiary. Through 2010 the new law allows the beneficiaries to use tax free distributions to pay for computers and computer technology including internet access.

Contact our office at 440-926-9300 with any questions concerning these tax credits and your taxes.