

AMERICAN RECOVERY AND REINVESTMENT TAX ACT OF 2009

Major Provisions

| Provision | Summary | Arizona Impact |
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| Income Tax Reduction via Withholding (Making Work Pay Credit) | Provides a credit equal to 6.2% of earned income or \$400 per taxpayer in 2009 and 2010. The credit is implemented through a reduction in federal withholding. | Revenue reduction in state withholding due to reduction in federal withholding (state rates tied to federal withholding). Federal withholding adjustment begins 4/1/09. |
| New Car Deduction | Provides an individual income tax deduction (both standard and itemized deductions) for sales taxes paid on the purchase of new vehicles valued at \$49,000 or less in 2009. | Will reduce state taxable income due to increased itemized deductions (adjusted standard deduction does not flow through to state). |
| Suspend Taxation of Unemployment Benefits | Temporarily excludes up to \$2,400 of unemployment compensation from gross income in 2009 | Will reduce FAGI and therefore reduce state taxable income. |
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| Bonus Depreciation/Small Business Expensing (Section 179) | Extends the increased bonus depreciation and Section 179 expensing through 12/31/09. | Arizona does not conform to bonus depreciation or Section 179 expensing and therefore no revenue impact. |
| Alternative Minimum Tax Patch | Raises the AMT exemption amounts for 2009. | Not included in FAGI and therefore does not impact state individual income tax. |
| Child Tax Credit | Provides a temporary increase in the refundable portion of the child tax credit for 2009 and 2010. | Not included in FAGI and therefore does not impact state individual income tax. |
| Energy Tax Credits | Various energy incentive credit changes (Residential Energy Property Credit, Residential Energy Efficient Property Credit, Alternative Fuel Pump Credit, Renewable Electricity Production Credit, Energy Investment Credit, and Plug-in Electric Vehicles). | Not included in FAGI and therefore does not impact state individual income tax. |
| Higher Education Tax Credit | Temporarily increases the credit amount and phase-out level in 2009 and 2010. Makes a portion of the credit refundable. | Not included in FAGI and therefore does not impact state individual income tax. |
| First-Time Home Buyer Credit | Raises the credit amount and eliminates the required repayment to the IRS after 36 months in the home. | Not included in FAGI and therefore does not impact state individual income tax. |
| Earned Income Tax Credit | Provides a temporary increase in the EITC for 2009 and 2010. | Not included in FAGI and therefore does not impact state individual income tax. |