

# Resource Guide to the American Recovery and Reinvestment Act of 2009

## CONSUMER TAX CREDITS

The American Recovery and Reinvestment Act cuts taxes for 95% of working families in the nation. Below is a summary of some of the tax cuts and credits included in the legislation.

### **One-Time Economic Recovery Payment**

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The American Recovery and Reinvestment Act provides for a one-time payment of \$250 to individuals who receive Social Security benefits, Railroad Retirement benefits, veteran's compensation or pension benefits and Supplemental Security Income (SSI), excluding individuals who receive SSI while in a Medicaid institution.

Furthermore, individuals must have been participating in one of these programs three months prior to 02/17/2009 to qualify.

The one-time payments will not come from Internal Revenue Service (IRS) as they have in previous legislation. The Social Security Administration expects everyone who is entitled to a payment to receive it by late May 2009. No action is required by the individual at this time.

To date, no further details have been released about this program. I encourage you to visit the Social Security Administration website at <http://www.socialsecurity.gov/payment/> and <http://www.recovery.gov> in the coming days for more information. If you do not have access to the internet, you can call the Social Security Administration toll free at (800) 772-1213.

### **Making Work Pay Tax Credit**

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In 2009 and 2010, the Making Work Pay provision of the American Recovery and Reinvestment Act will provide a refundable tax credit of up to \$400 for working individuals and up to \$800 for married taxpayers filing joint returns.

This tax credit will be calculated at a rate of 6.2 percent of earned income and will phase out for taxpayers with modified adjusted gross income in excess of \$75,000, or \$150,000 for married couples filing jointly.

For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes in early spring. These changes may result in an increase in take-home pay. The amount of the credit will be computed on the employee's 2009 income tax return filed in 2010. Taxpayers who do not have taxes withheld by an employer during the year can also claim the credit on their 2009 tax return.

It is not necessary to submit a Form W-4 to get the automatic withholding change. However, an employee with multiple jobs or a married couple whose combined income places it in a higher tax bracket should consult with the IRS and, if necessary, submit a revised Form W-4 to ensure enough

tax is withheld. IRS Publication 919 provides additional guidance for tax withholding including a special Making Work Pay worksheet.

I encourage you to visit the Internal Revenue Service (IRS) website at <http://www.irs.gov> and <http://www.recovery.gov> in the coming days for more information. If you do not have access to the internet, you can call the IRS toll free at (800) 829-1040.

### **Refundable First-Time Home Buyer Credit**

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Last year, Congress provided taxpayers with a refundable tax credit that was equivalent to an interest-free loan equal to 10% of the purchase of a home (up to \$7,500) by first-time home buyers. Prior to the American Recovery and Reinvestment Act, taxpayers receiving this tax credit were required to repay any amount received back to the government of 15 years in equal installments, or, if earlier, when the home is sold.

The American Recovery and Reinvestment Act eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009 and before December 1, 2009. In addition, the credit is increased to \$8,000 and removes the prohibition on financing by mortgages revenue bonds.

This provision only applies to the individual's primary residence and if the individual changes residency within 36 months of the purchase, they will be required to payback the credit.

To date, no further details about this program have been released. I encourage you to visit the Internal Revenue Service (IRS) website at <http://www.irs.gov> and <http://www.recovery.gov> in the coming days for more information. If you do not have access to the internet, you can call the IRS toll free at (800) 829-1040.

### **Sales Tax Deduction for Vehicle Purchases**

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The American Recovery and Reinvestment Act provides taxpayers with a deduction for State and local sales and excise taxes paid on the purchase of a qualified motor vehicle until January 1, 2010.

A qualified motor vehicle means a passenger automobile, light truck, or motorcycle which has a gross vehicle weight of not more than 8,500 pounds, or a motor home.

To date, no further details about this program have been released. I encourage you to visit the Internal Revenue Service (IRS) website at <http://www.irs.gov> and <http://www.recovery.gov> in the coming days for more information. If you do not have access to the internet, you can call the IRS toll free at (800) 829-1040.