



Economic Stimulus Package: Summary of Major Provisions

On Tuesday, February 17, in Denver, President Obama signed into law the U.S. House and Senate's \$787.2 billion economic stimulus package. The compromise bill was \$31.8 billion less than the House bill and \$50.8 billion less than the Senate version. The Administration says that the legislation will create or save 3.5 million jobs over the next two years, half a million less than what they believe the House-passed version would have produced.

Educational Provisions

Student Aid: \$15.6 billion provided to increase maximum Pell grants by \$500.

Education Aid for States: \$39.5 billion to school districts and \$8.8 for high priority needs, which may include modernization of higher education facilities.

American Opportunity Tax Credit: Temporarily provides taxpayers with a new tax credit of up to \$2,500 of the cost of tuition and related expenses. Credit phases out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly). 40% of the available credit is refundable.

Tax Credit Bonds for School Construction: Authorizes up to \$11 billion for these bonds in both 2009 and 2010, for a total national limitation of \$22 billion.

529 Plans: Computers and computer technology to qualify as allowable education expenses.

Individual Tax Credits

Alternative Minimum Tax (AMT) Patch: Increases the exemption amounts to \$46,700 (\$70,950 for married couples) and allows the personal credits against the AMT to hold the number of taxpayers subject to the AMT at bay.

"Making Work Pay" Tax Credits: Provides a refundable tax credit of up to \$400 for individuals and \$800 for families for 2009 and 2010 that would phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples).

Car Buyers Tax Credit: Provides a deduction for state and local sales and excise taxes paid on the purchase of a new vehicle through 2009. Deduction phased out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return).

Expanded Child Credit: Increases the eligibility for the refundable child tax credit in 2009 and 2010 by reducing the minimum income for eligibility to \$3,000.

Earned Income Tax Credit: Temporarily increases the tax credit for working families with three or more children.

Business

Extension of Bonus Depreciation: Extends temporary benefit for capital expenditures incurred in 2009. Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off fifty percent of the cost of depreciable property acquired in 2008 for use in the United States.

5-Year Carryback of Net Operating Loss (NOL): For 2008, the bill would extend the maximum NOL carryback period from 2 to 5 years for small businesses with gross receipts of \$15 million or less. Allows life insurance companies to opt to carryback operating losses for either four or five years. Benefit denied to firms receiving funds from TARP, Fannie Mae, or Freddie Mac.

Repeal of Treasury Section 382 Notice: Repeals a Treasury provision that allowed firms acquiring companies from claiming losses that were incurred by the acquired company prior to the taxpayer's ownership of the company. The bill would repeal this Notice prospectively.

Delayed Recognition of Certain Cancellations of Debt Income (CODI): Certain businesses will be allowed to recognize CODI over 10 years for specified business debt repurchased after December 2008 and before January 2011.

Compensation Limits for Companies for the Financial Stability Plan (formerly the Troubled Asset Relief Program [TARP]): Places limits on the executive compensation at companies that have received, or will receive, government assistance through the TARP.

Buy American: Provides that iron and steel used in construction and repair projects funded under the agreement be produced in the U.S., unless it violates obligations under World Trade Organization agreements.

Housing

Refundable First-Time Homebuyer Credit: Eliminates repayment obligation for taxpayers that purchase homes after January 1, 2009. It increases the maximum value of the credit to \$8,000, removes the prohibition on financing by mortgage revenue bonds, and extends the availability of the credit for homes purchased before December 2009.

Healthcare and Benefits

Extension of Unemployment Benefits: Provides 33 weeks of extended benefits through December 31, 2009.

Unemployment Compensation: Provides \$4.7 billion to exclude from taxation the first \$2,400 a person receives in unemployment compensation benefits in 2009.

Short-Term COBRA Subsidy for Involuntarily Terminated Workers: Provides a 65 percent subsidy for COBRA premiums for up to 9 months.

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