

# STORTZ

AND ASSOCIATES

Certified Public Accountants &  
Business Development Specialists  
610-967-4711 • P.O. Box 247, Emmaus PA 18049  
610-861-4400 • 4510 Bath Pike Ste. 200, Bethlehem PA 18017

## HIGHLIGHTS OF THE NEW “AMERICAN RECOVERY & REINVESTMENT ACT”

### For Individuals:

- **Individuals get a payroll tax credit for 2009 and 2010. The new credit is 6.2% of earned income, capped at \$400 for singles and \$800 for married couples. For single filers, it starts phasing out at \$75,000 of adjusted gross income and dries up at \$95,000. The phase-out zone for couples is \$150,000 - \$190,000. Employees will get the credit in advance via lower income tax withholding in each paycheck.**
- **Retirees and other pensioners will get a one-time \$250 check instead, no later than June 17, 2009. The checks will go to recipients of Social Security benefits, Railroad Retirement benefits, Supplemental Security Income, or veterans pensions. Federal retirees who don't receive any Social Security will also get a \$250 check.**
- **The credit for first-time home buyers is a lot sweeter. For primary homes purchased this year before December 1, 2009, the maximum credit increases to \$8,000, and it needn't be paid back. The 15-year repayment rule still applies to residences bought in 2008, however. Folks who buy homes in 2009 can elect to claim the credit on their 2008 returns. The IRS has already revised Form 5405 to reflect the \$500 hike in the maximum credit as well as the waiver of the credit repayment requirement. The credit is refundable...allowed in full even if it exceeds your tax bill for the year. But the credit will be recaptured if the home is sold within three years of purchase.**
- **The tax credit for college tuition is much juicier for 2009 and 2010. The Hope credit is replaced by a new credit of up to \$2,500 per student a year for four years of college, not just the first two. It now also covers the cost of books, and begins to phase out at much higher levels of AGI...\$80,000 for single filers and \$160,000 for couples. If the credit is more than your income tax liability, 40% of it is refundable. Also, the full credit is allowed against the minimum tax.**
- **Buyers of new vehicles can deduct the sales tax paid on the purchase, even if they don't claim sales taxes as itemized deductions. They can add the tax they pay to their standard deduction. This break applies to new cars, motor homes, light trucks and motorcycles purchased after Feb. 16, 2009 and before Jan. 1, 2010. Sales tax paid on the first \$49,500 of cost qualifies. The benefit begins phasing out for married couples with AGIs over \$250,000 and singles with AGIs over \$125,000.**

- **The first \$2,400 of unemployment benefits received in 2009 is tax free.**
- **529 plans can be tapped tax free to pay for computers in 2009 and 2010.**
- **The law also helps terminated workers pay for continuing health insurance. Starting March 1, those who were let go after August 31, 2008 and before January 1, 2010 and elect to retain their coverage can get 65% of the premium paid for by the feds for up to nine months. Folks who left before February 17, 2009 who declined coverage must be notified that they have 60 days to take it. They are taxed on the subsidies if their AGI for 2009 exceeds \$125,000 for singles or \$250,000 for married couples.**

For Businesses:

- **50% bonus first-year depreciation is retained for assets bought this year.**
- **Ditto for the \$250,000 ceiling on expensing assets...continues through 2009. And full expensing remains available until \$800,000 of assets are placed in service.**
- **Small firms can carry back 2008 losses for five tax years instead of two. Their average annual gross receipts for 2006 – 2008 must be \$15 million or less.**
- **The work opportunity credit is expanded to cover two new sets of workers hired in 2009 and 2010: Unemployed veterans and unemployed youths age 16 to 25.**

*Source: The Kiplinger Tax Letter: February 20, 2009*