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**AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009
(ARRA)**



OVERVIEW

The American Recovery and Reinvestment Act of 2009, a nearly \$800 billion stimulus package which includes \$300 billion in tax relief, was signed into law by President Obama on February 17.

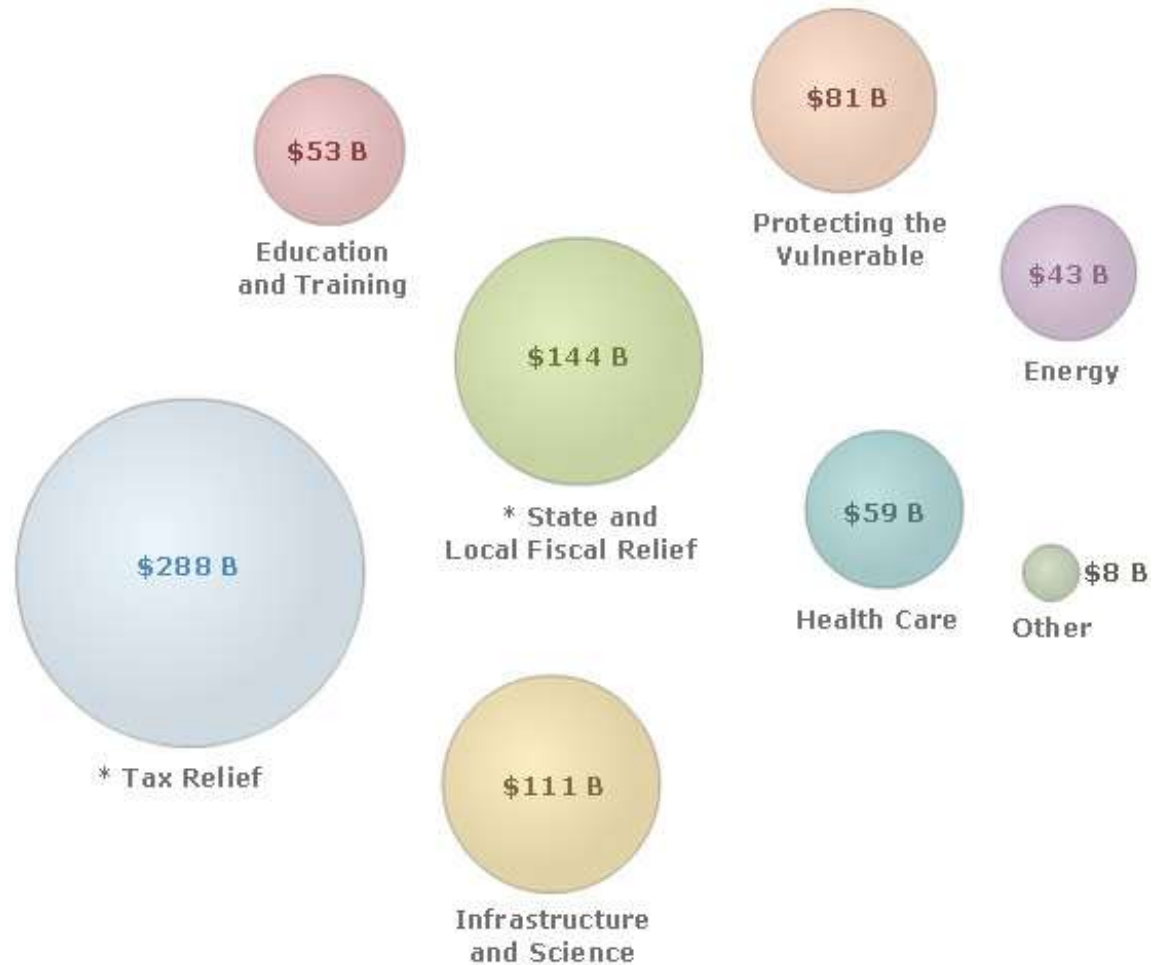
The act was designed to offer immediate relief to both businesses and individuals through enhancements to existing credits as well as the addition of new credit provisions.





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WHAT THE ACT DID NOT INCLUDE

- Unlike the Bush Administration this tax package is demand-side stimulus.
- Nothing about the estate tax that is set to expire in 2010.
- Nothing about the preferential dividend and long term capital gain rates set to expire in 2010.
- Nothing that encourages the investor.



BUSINESS

Section 179

The \$250,000 amount (originally increased by the 2008 Stimulus Act) has been extended through 2009.

Without the extension, businesses having placed property in service in 2009 would have been limited to a maximum deduction of \$125,000.

The limit phases out once capital expenditures exceed \$800,000 (previously \$500,000).



BUSINESS

50% Bonus Depreciation

The current bonus depreciation provision applies to assets placed in service before January 1, 2010.

Taxpayers can immediately deduct 50% of the cost of most assets (except buildings) with depreciable lives of 20 years or less.



2008 Equipment Purchases: **\$ 400,000**

First Year Write Off: **\$ 250,000**

(Under the new law, \$250,000 is the maximum Section 179 write-off in 2008)

Bonus First Year Depreciation: **\$ 75,000**

(On remaining value: \$400k-\$250k.
 $\$150k \times 50\% = \$75k$)

Normal First Year Depreciation: **\$ 15,000**

(Depreciation calculated at 5 years, meaning 20% per year. $\$75k \times 20\% = \$15k$)

Total First Year Deduction: **\$ 340,000**

($\$250k + \$75k + \$15k = \$340k$)

Tax Savings: **\$ 119,000**

(Assume 35% tax rate. $\$340k \times .35 = \$119k$)

Total Equipment Cost: **\$ 281,000**

($\$400k$ less all tax deductions of $\$119k$)

Equipment



BUSINESS

Vehicle Depreciation

The first-year depreciation dollar cap for vehicles placed in service in 2009 is \$10,960 (previously \$2,960).



BUSINESS

Net Operating Loss (NOL) Carryback

The stimulus bill allows small businesses to carryback a 2008 NOL for as many as five years.

Previously NOLs could only be carried back two years.

The normal NOL carryback period returns to two years for NOLs incurred in 2009.



BUSINESS

S Corporation Built-In Gain Period

The holding period for assets subject to built-in gains tax has been temporarily shortened from ten to seven years.

The built-in gains tax is imposed on assets after a C corporation elects to be treated as subchapter S corporation.

The provision applies to years beginning 2009 and 2010.



INDIVIDUALS

Education Credit

The HOPE education credit has been temporarily increased to \$2500 per year (previously \$1800) for 2009 and 2010.

The credit is now available for all four years of post-secondary education (previously only the first two years were eligible).

Textbooks and other course materials are now eligible.



INDIVIDUALS

\$250 Economic Recovery Payment

A one-time payment of \$250 will be given to individuals on fixed incomes.

Primarily Social Security recipients, railroad retirees and disabled veterans will benefit from this provision.

www.socialsecurity.gov/payment/



INDIVIDUALS

First-Time Homebuyer Credit

\$8,000 refundable credit applies to principal residences purchased between January 1, 2009 and November 30, 2009 (lesser of 10% of cost or \$8000).

The credit does not have to be re-paid if the taxpayer remains in the home for at least 36 months.

Homes purchased between April 9, 2008 and December 31, 2008 are governed by the previous rules.





INDIVIDUALS

New Car Tax Deduction

An above-the-line deduction is allowed for state and local sales tax and excise taxes paid on the purchase of new vehicles (foreign or domestic).

Limited to taxes paid on the first \$49,500 of the vehicle's purchase price.

Phase out begins at \$125,000 single and and \$250,000 MFJ.

The deduction is available even if you do not itemize.





INDIVIDUALS

COBRA

Taxpayers who lose their employment between September 1, 2008 and January 1, 2010 can elect to pay 35% of their COBRA coverage and be treated as having paid the full amount.

The employer is responsible for paying the remaining 65%. It will be reimbursed by the government through a credit on the quarterly payroll reports (Form 941).

www.dol.gov/ebsa/COBRA.html



ALTERNATIVE MINIMUM TAX (AMT)

AMT Patch

The exemption amount has been raised to \$70,950 for taxpayers filing married filing joint and to \$46,700 for single filers (only for 2009).

Filing Status	1986-1992	1993-2000	2001-2002	2003-2005	2006 Only	2007 Only	2008 Only	2009 Only
MFJ	40,000	45,000	49,000	58,000	62,550	66,250	69,950	70,950
Single or HOH	30,000	33,750	35,750	40,250	42,500	44,350	46,200	46,700



ALTERNATIVE MINIMUM TAX (AMT)

Private Activity Bonds

All private activity bonds issued in 2009 and 2010 will be excluded from AMT.



ENERGY INCENTIVES

In 2009 and 2010 taxpayers are allowed a tax credit of 30% or \$1500 (whichever is lower) of the costs of qualified energy-efficient home improvements.

Qualified improvements include:

- insulation;
- energy-efficient exterior windows; and
- energy-efficient heating and air conditioning systems.

www.energystar.gov



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Questions?



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