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CONGRESS PASSES MASSIVE STIMULUS BILL. WHAT'S IN IT FOR YOU?

Congress has been busy figuring out how to jump start the economy. And the answer is...almost a trillion dollars of taxpayer dollars flowing into the government tills will be redistributed in ways and directions the administration feels will create more jobs, update our infrastructure (sorely needed) and generally put more cash in the hands of those who will spend it. We have all been watching the banks as well as Wall Street firms to see what they would do with the hundreds of billions they already received aside from multi-million dollar bonuses to the very people who caused our current predicament. These people are still throwing expensive corporate parties and flying on private jets. We the people, on the other hand, have been painted into the proverbial "corner" and will be required to pay for their greed and arrogance. And – in case you hadn't heard, the government has no idea how those companies spent the hundreds of billions of dollars they already received. What a way to run a "railroad". Congress had an approval rating of around 19% before this bill was passed. We'll see if they can recover from that or will we have a whole new set of senators and congressional representatives in a few years. Time will tell.

We the people are paying for "they the greedy and arrogant". We the people are getting what "they the greedy and arrogant" deserve. We the people have been anxiously awaiting the final bill as we all want to know what's in it for us.

Now we know. Here's the scoop:

1. A new **MAKING WORK PAY CREDIT** will provide qualified individuals with a "refundable" credit of the lesser of

6.2% of their *earned* income or \$400 (\$800 for joint filers). (Notice the similarity between this credit and the 6.2% Social Security Tax that is withheld from employees pay.) This is phased out for incomes above \$75,000 (\$150,000 for joint filers). Just fyi – "refundable" credits are just that. You get the money whether you owed/paid any taxes or not. This credit will be available for 2009 and 2010.

2. A new **FIRST TIME HOME BUYER CREDIT** which extends the credit for purchased from January 1, 2009 through November 30, 2009 and increases the credit from \$7,500 to \$8,000 and waives the "repayment over 15 years" requirement for 2009 purchases.
3. Changes the **CHILD TAX CREDIT**. The net refundable portion of the child tax credit will apply to 15% of earned income in excess of \$3,000 for 2009 and 2010 only. The \$3,000 income threshold has been reduced from the current \$8,500.
4. A new onetime **\$250 ECONOMIC RECOVERY PAYMENT** to individuals who are on fixed incomes (retirees and those on disability). Although government retirees do not pay into the Social Security program, they will also be eligible to receive the \$250 payment. "They" have not yet decided just how to distribute these checks.
5. An **EARLY AMT PATCH** is part of this bill. Instead of waiting until next December to get this done, we have some certainty earlier in the year. This patch is supposed to keep 26 million

- taxpayers from falling into the AMT (Alternative Minimum Tax) trap for 2009.
6. A new **"ABOVE THE LINE DEDUCTION"** for sales and excise taxes paid on the first \$49,500 of the cost to purchase of a *new* automobile from the date of enactment when the President signs the bill (presumably Monday, February 18th) through December 31, 2009. FYI... "above the line" means you don't have to "itemize" to get the deduction. Any newly purchased vehicle, including light trucks, SUVs and motorcycles, which weigh less than 8,500 pounds will qualify. Motor homes also qualify. By the way – this new deduction is phased out starting with income levels of \$125,000 for single taxpayers and \$250,000 for joint filers.
 7. A change to the **EDUCATION CREDITS** which raises the HOPE credit from a maximum of \$1,800 per year to \$2,500 per year (for 2009 and 2010 only) and extends it to all 4 years of college instead of the first 2 years. The credit also has a new name...the AMERICAN OPPORTUNITY TAX CREDIT. Another new twist – 40% of this new credit will be "refundable". As usual – everybody won't qualify. The credit phases out at income levels above \$80,000 for single filers and \$160,000 for joint filers. One caveat: the credit does NOT apply to tuition payments made in 2008 for the 2009 school year.
 8. A **TEMPORARY INCREASE IN THE EARNED INCOME CREDIT** was also included for 2009 and 2010 only. It raises the maximum credit percentage from 40% to 45% of the first \$12,570 in earned income for taxpayers with 3 or more children.
 9. The **FIRST \$2,400 IN UNEMPLOYMENT BENEFITS** will not be taxed for 2009 only.
 10. The exclusion for **EMPLOYER PROVIDED TRANSPORTATION BENEFITS** has been increased from \$120 per month to \$230 per month beginning March 1, 2009 and extending through 2010.
 11. **DISTRIBUTIONS FROM SECTION 529 PLANS** (Qualified Tuition Programs) which are used to purchase computers and computer technology – including internet access, will be tax free for 2009 and 2010 only.
 12. The **50% FIRST YEAR BONUS DEPRECIATION** has been extended through December 31, 2009 for new (unused) purchases only. This also extends the 2008 temporary increase in allowable depreciation on vehicles placed in service during 2009 to \$10,960 if bonus depreciation is elected.
 13. The **SECTION 179 EXPENSE LIMITS** of \$250,000 for asset acquisitions and an \$800,000 limit on assets purchased for the year have been extended for 2009. FYI – Section 179 expensing is allowed on new or used qualifying property.
 14. **SMALL BUSINESS NOL CARRYBACK** has been extended from 3 years to 5 years for NOLs tax years beginning or ending in 2008. The definition of a "small business" is one with average gross receipts of \$15 million or less.
 15. Individuals with less than \$500,000 in 2008 adjusted gross income who can certify that over 50% of the gross income shown on his/her 2008 return comes from a "small business" will only need to pay 90% of their 2008 tax liability as a **SAFE HARBOR ESTIMATE** for 2009 in order to avoid any under-payment penalties. (FYI – "small business" is generally defined here as income from a business with an average number of employees of 500 or fewer. This provision is for 2009 ONLY and can be *huge* for small

business owners by reducing their personal quarterly estimates and/or requisite wage withholding. After that, unless renewed, the threshold will revert back to a requirement of 110% of the prior year liability if your prior year income is over \$150,000 no matter where the income came from.

16. **WORK OPPORTUNITY TAX CREDIT** extended to hiring of unemployed veterans and “disconnected” youth hired in 2009 and 2010. (We do not as yet have a definition of “disconnected” youth. Not sure what or whom they need to be “disconnected” from.)
17. **S CORPORATION BUILT IN GAINS TAX** required 10 year holding period for assets has been reduced to 7 years for

regular “C” corporations which elect “S” status during 2009 and 2010.

18. Part of the cost of **COBRA BENEFITS** for employees who are “*involuntarily separated*” (aka – fired/laid off) between September 1, 2008 and January 1, 2010, will be paid by the federal government (aka other taxpayers). The *employee* can elect to pay only 35% of the required COBRA insurance premium. The former *employer* will be required to pay the other 65% - but – will be reimbursed by deducting these payments from its’ federal deposit remittance of payroll taxes. Even with this “reimbursement” companies will feel a cash flow timing difference. There is no exclusion for “small businesses”.

