



Senator Sherrod Brown

American Recovery and Reinvestment Act *What does it mean for you and your family?*

What is the economic recovery package?

The economic recovery package is an unprecedented federal investment to stimulate all sectors of the economy, protect the most vulnerable, create jobs for hardworking Americans, and modernize the country's infrastructure. But how does it work? In Ohio, the economic recovery package will help to stimulate the economy in three ways:

1. The state government will distribute funds using noncompetitive formula grants. The State of Ohio is accepting proposals at www.recovery.ohio.gov.
2. **Federal agencies will be accepting proposals for Federal Competitive Grants.** For more information, visit Senator Brown's website at www.brown.senate.gov or the President's webpage www.recovery.gov.
3. 95% of taxpayers will receive immediate and significant tax relief. Want to learn more about how these tax benefits will affect you? Turn the page over to learn more!

What the economic recovery package means for Ohio...

- Creates or saves 133,000 jobs in Ohio.
- Provides **critical tax relief** for an estimated 4.5 million middle class Ohioans through the "Making Work Pay Tax Credit" and relief of the "Alternative Minimum Tax" for 884,000 Ohioans.
- **Saves money, reduces energy consumption and creates jobs** through energy efficiency programs.
- Invests \$68 million in targeted communities hard hit by job loss and high unemployment by **retraining dislocated workers** and helping communities build regional industry clusters.
- Improves education throughout the state by **investing in local school districts and public colleges and universities.**

...and what it means for YOU

- **More than 95% of taxpayers will receive in tax benefits** starting as early as April.
- Getting a college education will be more affordable. Students can deduct **up to \$2,500 of qualified tuition** and related expenses for each of the first-four years of post-secondary education.
- Individuals will be rewarded for doing everyday things: buying a new car, making improvements to your home, investing in a new home and more. **See the reverse side for details.**
- You, your family, and your community will **benefit from improvements to vital infrastructure** – roads and bridges, sewer, public transit and more, modernization of health IT systems, and a nationwide effort toward renewable energy, energy efficiency, and energy reduction.

Answers from the IRS

Could the new law affect 2008 tax returns?

Generally, no. The new law does not have any major effect for the vast majority of individuals preparing their 2008 tax returns due April 15. Instead, these changes will largely affect 2009 tax returns filed next year, in 2010. Taxpayers should continue to prepare their 2008 tax returns as they normally would.

There are a few limited areas in the law that could impact 2008 tax returns. For some small businesses, changes in the net operating loss provisions could affect 2008 tax returns. And for first-time homebuyers there is an expanded credit available on 2008 tax returns.

Does this new recovery program have any impact on the recovery rebate credit for 2008 tax returns being filed now?

No. But the IRS reminds taxpayers and tax preparers to make sure they properly determine eligibility for the recovery rebate credit before they file their 2008 federal tax returns.

Where are more details on the tax provisions of the recovery law?

The IRS will be providing more details at www.irs.gov as they become available. A summary of the key provisions is available at www.brown.senate.gov.

source: www.irs.gov

For information about the economic recovery package: www.brown.senate.gov

For information about the tax provisions: www.irs.gov

For information from the State of Ohio: www.recovery.ohio.gov/individuals/

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Expands the Earned Income Tax Credit

- 1 The EITC provides low- and moderate-income workers with a refundable credit based on income, children, and work status. This credit is phased out when the taxpayer has more than one qualifying child and an income of over \$40,295 (\$43,415 when filing jointly). The economic recovery package expands the EITC in 2009 and 2010 to allow taxpayers with three or more qualifying children to claim a refundable credit on a sliding scale.

Exempts Unemployment Compensation Benefits and Increases COBRA

- 7 Taxpayers can exclude up to \$2,400 of unemployment compensation benefits when calculating gross income. The economic recovery package also provides a 65% reduction in COBRA premiums for up to nine months for individuals that are involuntarily terminated during the period beginning September 1, 2008 and ending December 31, 2009.

Establishes the Making Work Pay Credit

- 2 This is a refundable tax credit of up to \$400 for workers (up to \$800 for families), calculated at a rate of 6.2% of earned income and will phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly).

Expands the Homebuyer Credit

- 3 First-time homebuyers can claim a refundable tax credit up to \$8,000 (\$4,000 filing separately) for purchasing a home by December 1, 2009 if they continue to reside there for at least 36 months (otherwise the credit must be repaid).

Energy Efficient Appliance Rebate Program and Energy Star Program

- 4 \$300 million of the economic recovery package will go toward an energy efficient appliance rebate program and the Energy Star program. To learn more about these programs, please visit www.energystar.gov.

Qualifies Computer Technology & Equipment as Higher Education Expense

- 5 Certain computer technology and equipment contributed as a gift for the purpose of higher education and used while enrolled in a higher education program may be considered in the calculation of necessary expenses and excluded from the gift tax.

Deducts State & Local Sales and Excise Taxes for Qualified Motor Vehicles

- 6 Taxpayers who are deducting state and local income taxes can now deduct state and local sales and excise taxes on up to \$49,500 of the purchase price of a qualified motor vehicle (i.e. a personal passenger vehicle or motor home purchased in 2009).

11 ways the economic recovery package benefits YOU

The tax benefits of the economic recovery package will affect more than 95% of taxpayers. Here are just a few of the ways in which YOU will benefit:

Diminishes Alternative Minimum Tax (AMT)

- 8 The economic recovery package raises the salary threshold so that Ohioans can realize more of tax benefits in the AMT. The new thresholds are:
 - \$70,950 for married individuals filing jointly
 - \$46,700 for unmarried individuals;
 - \$35,475 for married individuals filing separatelyThe package also ensures that nonrefundable deductions are always available to everyone, regardless of income.

Social Security and Retiree Benefits

- 9 The economic recovery package provides a one-time payment of \$250 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the U.S. Department of Veterans Affairs.

Establishes the American Opportunity Tax Credit

- 10 Students can deduct up to \$2,500 on their taxes for qualified tuition and related expenses for each of their first-four years of post-secondary education.

Expands the Child Credit

- 11 The child tax credit for each dependent U.S. child under the age of 17 has been expanded to \$1,000 per child until 2010; \$500 per child thereafter. However, the Child Credit phases out for higher incomes (i.e. \$75,000 for individuals and head of household). The refundable portion of the credit is increased in 2009 and 2010 by reimbursing up to 15% of the taxpayer's earned income over \$3,000. [Prior tax provisions only refunded earned income

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