



TO YOUR WEALTH Update

February 17, 2009

Highlights of the Tax Provisions in the Stimulus Bill

For your information, attached are highlights of the tax provisions included in the House and Senate conference agreement on H.R. 1, the American Recovery and Reinvestment Act of 2009 (Stimulus Bill).

The agreement includes a one-year Alternative Minimum Tax (AMT) patch for 2009. The House and Senate voted on the final agreement and the President intends to sign the legislation today.

Expect more details on how this Act will impact you in the future.

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 – FEBRUARY 12, 2009

FULL SUMMARY OF PROVISIONS FROM SENATE FINANCE, HOUSE WAYS & MEANS COMMITTEES

TAX RELIEF FOR INDIVIDUALS AND FAMILIES

“Making Work Pay” Tax Credit. The bill would cut taxes for more than 95% of working families in the United States. For 2009 and 2010, the bill would provide a refundable tax credit of up to \$400 for working individuals and \$800 for working families. This tax credit would be calculated at a rate of 6.2% of earned income, and would phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly). Taxpayers can receive this benefit through a reduction in the amount of income tax that is withheld from their paychecks, or through claiming the credit on their tax returns. *This proposal is estimated to cost \$116.199 billion over 10 years.*

Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits. The bill would provide 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. The one-time payment is a reduction to any allowable Making Work Pay credit. *This proposal is estimated to cost \$14.225 billion over 10 years.*

Refundable Credit for Certain Federal and State Pensioners. The bill would provide a one-time refundable tax credit of \$250 in 2009 to certain government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit. *This proposal is estimated to cost \$218 million over 10 years.*

Increase in Earned Income Tax Credit. The bill would temporarily increase the earned income tax credit for working families with three or more children. Under current law, working families with two or more children currently qualify for an earned income tax credit equal to forty percent (40%) of the family’s first \$12,570 of earned income. This credit is subject to a phase-out for working families with adjusted gross income in excess of \$16,420 (\$19,540 for married couples filing jointly). The bill would increase the earned income tax credit to forty-five percent (45%) of the family’s first \$12,570 of earned income for families with three or more children and would increase the beginning point of the phase-out range for all married couples filing a joint return (regardless of the number of children) by \$1,880. *This proposal is estimated to cost \$4.663 billion over 10 years.*

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Increase Eligibility for the Refundable Portion of Child Credit. The bill would increase the eligibility for the refundable child tax credit in 2009 and 2010. For 2008, the child tax credit is refundable to the extent of 15 percent of the taxpayer's earned income in excess of \$8,500. The bill would reduce this floor for 2009 and 2010 to \$3,000. *This proposal is estimated to cost \$14.830 billion over 10 years.*

“American Opportunity” Education Tax Credit. The bill would provide financial assistance for individuals seeking a college education. For 2009 and 2010, the bill would provide taxpayers with a new “American Opportunity” tax credit of up to \$2,500 of the cost of tuition and related expenses paid during the taxable year. Under this new tax credit, taxpayers will receive a tax credit based on one hundred percent (100%) of the first \$2,000 of tuition and related expenses (including books) paid during the taxable year and twenty-five percent (25%) of the next \$2,000 of tuition and related expenses paid during the taxable year. Forty percent (40%) of the credit would be refundable. This tax credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly). *This proposal is estimated to cost \$13.907 billion over 10 years.*

Computers as Qualified Education Expenses in 529 Education Plans. Section 529 Education Plans are tax-advantaged savings plans that cover all qualified education expenses, including: tuition, room & board, mandatory fees and books. The bill provides that computers and computer technology qualify as qualified education expenses. *This proposal is estimated to cost \$6 million over 10 years.*

Refundable First-time Home Buyer Credit. Last year, Congress provided taxpayers with a refundable tax credit that was equivalent to an interest-free loan equal to 10 percent of the purchase of a home (up to \$7,500) by first-time home buyers. The provision applies to homes purchased on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit are currently required to repay any amount received under this provision back to the government over 15 years in equal installments, or, if earlier, when the home is sold. The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 in the case of a joint return). The bill eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009, increases the maximum value of the credit to \$8,000, and removes the prohibition on financing by mortgage revenue bonds, and extends the availability of the credit for homes purchased before December 1, 2009. The provision would retain the credit recapture if the house is sold within three years of purchase. *This proposal is estimated to cost \$6.638 billion over 10 years.*

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Sales Tax Deduction for Vehicle Purchases. The bill provides all taxpayers with a deduction for State and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles, and motorcycles through 2009. This deduction is subject to a phase-out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return). *This proposal is estimated to cost \$1.684 billion over 10 years.*

Temporary Suspension of Taxation of Unemployment Benefits. Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately \$300 per month. The proposal temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient. Any unemployment benefits over \$2,400 will be subject to federal income tax. This proposal is in effect for taxable year 2009. *This proposal is estimated to cost \$4.740 billion over 10 years.*

Extension of AMT Relief for 2009. The bill would provide more than 26 million families with tax relief in 2009 by extending AMT relief for nonrefundable personal credits and increasing the AMT exemption amount to \$70,950 for joint filers and \$46,700 for individuals. *This proposal is estimated to cost \$69.759 billion over 10 years.*

TAX INCENTIVES FOR BUSINESSES

Extension of Bonus Depreciation. Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. 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 (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009. *This proposal is estimated to cost \$5.074 billion over 10 years.*

Election to Accelerate Recognition of Historic AMT/R&D Credits. Last year, Congress temporarily allowed businesses to accelerate the recognition of a portion of their historic AMT or research and development (R&D) credits in lieu of bonus depreciation. The amount that taxpayers may accelerate is calculated based on the amount that each taxpayer invests in property that would otherwise qualify for bonus depreciation. This amount is capped at the lesser of six percent (6%) of historic AMT and R&D credits or \$30 million. The bill would extend this temporary benefit through 2009. *This proposal is estimated to cost \$805 million over 10 years.*

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Extension of Enhanced Small Business Expensing. In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write-off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Until the end of 2010, small business taxpayers are allowed to write-off up to \$125,000 (indexed for inflation) of capital expenditures subject to a phase-out once capital expenditures exceed \$500,000 (indexed for inflation). Last year, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009. *This proposal is estimated to cost \$41 million over 10 years.*

5-Year Carryback of Net Operating Losses for Small Businesses. Under current law, net operating losses (“NOLs”) may be carried back to the two taxable years before the year that the loss arises (the “NOL carryback period”) and carried forward to each of the succeeding twenty taxable years after the year that the loss arises. For 2008, the bill would extend the maximum NOL carryback period from two years to five years for small businesses with gross receipts of \$15 million or less. *This proposal is estimated to cost \$947 million over 10 years.*

Delayed Recognition of Certain Cancellation of Debt Income. Under current law, a taxpayer generally has income where the taxpayer cancels or repurchases its debt for an amount less than its adjusted issue price. The amount of cancellation of debt income (“CODI”) is the excess of the old debt’s adjusted issue price over the repurchase price. Certain businesses will be allowed to recognize CODI over 10 years (defer tax on CODI for the first four or five years and recognize this income ratably over the following five taxable years) for specified types of business debt repurchased by the business after December 31, 2008 and before January 1, 2011. *This proposal is estimated to cost \$1.622 billion over 10 years.*

Incentives to Hire Unemployed Veterans and Disconnected Youth. Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees of one of nine targeted groups. The bill would create two new targeted groups of prospective employees: (1) unemployed veterans; and (2) disconnected youth. An individual would qualify as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during the five-year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months. *This proposal is estimated to cost \$231 million over 10 years.*

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Small Business Capital Gains. Under current law, Section 1202 provides a fifty percent (50%) exclusion for the gain from the sale of certain small business stock held for more than five years. The amount of gain eligible for the exclusion is limited to the greater of 10 times the taxpayer's basis in the stock, or \$10 million gain from stock in that small business corporation. This provision is limited to individual investments and not the investments of a corporation. The non-excluded portion of section 1202 gain is taxed at the lesser of ordinary income rates or 28 percent, instead of the lower capital gains rates for individuals. The provision allows a seventy-five percent (75%) exclusion for individuals on the gain from the sale of certain small business stock held for more than five years. This change is for stock issued after the date of enactment and before January 1, 2011. *This provision is estimated to cost \$829 million over 10 years.*

Temporary Small Business Estimated Tax Payment Relief. The bill reduces the 2009 required estimated tax payments for certain small businesses. *This provision has been estimated to have no revenue effect over 10 years.*

Temporary Reduction of S Corporation Built-In Gains Holding Period from 10 Years to 7 Years. Under current law, if a taxable corporation converts into an S corporation, the conversion is not a taxable event. However, following such a conversion, an S corporation must hold its assets for ten years in order to avoid a tax on any built-in gains that existed at the time of the conversion. The bill would temporarily reduce this holding period from ten years to seven years for sales occurring in 2009 and 2010. *This proposal is estimated to cost \$415 million over 10 years.*

Repeal of Treasury Section 382 Notice. Last year, the Treasury Department issued Notice 2008-83, which liberalized rules in the tax code that are intended to prevent taxpayers that acquire 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. *This proposal is estimated to raise \$6.977 billion over 10 years.*

Treatment of Certain Ownership Changes. The bill would clarify the application of section 382 to certain companies restructuring pursuant to the Emergency Economic Stabilization Act of 2008. *This proposal is estimated to cost \$3.163 billion over 10 years.*

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MANUFACTURING RECOVERY PROVISIONS

Industrial Development Bonds (IDB). Under current law, certain manufacturing facilities are eligible for tax exempt bond financing. Section 144(a)(12)(C) specifically limits the definition of a manufacturing facility for the purposes of such financing to facilities that are used in the manufacturing or production of tangible personal property. The proposal amends the definition of manufacturing facility to any facility used in the manufacturing, creation, or production of tangible or intangible property described in section 197(d)(1)(C)(iii). Intangible property is any patent, copyright, formula, process, design, pattern, knowhow, format, or other similar item. The proposal also clarifies which physical components of a manufacturing facility qualify as "ancillary" and therefore are subjected to a 25% limitation in the amount of bond issuance used to build or re-construct those components. *This proposal is estimated to cost \$203 million over ten years.*

Advanced Energy Investment Credit. The proposal establishes a new 30% investment tax credit for facilities engaged in the manufacture of advanced energy property. Credits are available only for projects certified by the Secretary of Treasury, in consultation with the Secretary of Energy, through a competitive bidding process. The Secretary of Treasury must establish a certification program no later than 180 days after date of enactment, and may allocate up to \$2.3 billion in credits. Advanced energy property includes technology for the production of renewable energy, energy storage, energy conservation, efficient transmission and distribution of electricity, and carbon capture and sequestration. *This proposal is estimated to cost \$1.647 billion over 10 years.*

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ECONOMIC RECOVERY TOOLS

New Markets Tax Credit. Under current law, there are \$3.5 billion of New Markets Tax Credits (NMTC) available for each of 2008 and 2009. The provision increases the available credits for 2008 to \$5 billion and the available credits for 2009 to \$5 billion. *This provision is estimated to cost \$815 million over 10 years.*

Recovery Zone Bonds. The bill would create a new category of tax credit bonds for investment in economic recovery zones. The bill would authorize \$10 billion in recovery zone economic development bonds and \$15 billion in recovery zone facility bonds. These bonds could be issued during 2009 and 2010. Each state would receive a share of the national allocation based on that state's job losses in 2008 as a percentage of national job losses in 2008 (each state will receive a minimum allocation of these bonds). These allocations would be sub-allocated to local municipalities. Municipalities receiving an allocation of these bonds would be permitted to use these bonds to invest in infrastructure, job training, education, and economic development in areas within the boundaries of the State, city or county (as the case may be) that has significant poverty, unemployment or home foreclosures. *This proposal is estimated to cost \$5.371 billion over 10 years.*

Tribal Economic Development Bonds. Under current law, tribal governments are limited in their ability to issue tax-exempt bonds. Projects funded by bonds issued by tribal governments must satisfy an "essential governmental function" requirement. This requirement is not imposed on projects funded by bonds issued by State and local governments, and can limit the ability of tribal governments to use tax-exempt bonds for economic development. The bill would temporarily allow tribal governments to issue \$2 billion in tax-exempt bonds for projects without this restriction in order to spur economic development on tribal lands, and would require the Secretary of the Treasury to study whether this restriction should be repealed on a permanent basis. *This proposal is estimated to cost \$315 million over 10 years.*

Modify Speed Requirement for High-Speed Rail Exempt Facility Bonds. Under current law, States are allowed to issue private activity bonds for high-speed rail facilities. Under current law, a high-speed rail facility is a facility for the transportation of passengers between metropolitan areas using vehicles that are reasonably expected to operate at speeds in excess of 150 miles per hour between scheduled stops. The bill would allow these bonds to be used to develop rail facilities that are used by trains that are capable of attaining speeds in excess of 150 miles per hour. *This proposal is estimated to cost \$288 million over 10 years.*

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INFRASTRUCTURE FINANCING TOOLS

De Minimis Safe Harbor Exception for Tax-Exempt Interest Expense for Financial

Institutions. Under current law, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds. In determining the portion of interest expense that is allocable to investments in tax-exempt municipal bonds, the bill would exclude investments in tax-exempt municipal bonds issued during 2009 and 2010 to the extent that these investments constitute less than two percent (2%) of the average adjusted bases of all the assets of the financial institution. *The cost of this proposal is included in the estimated cost of the next provision.*

Modification of Small Issuer Exception to Tax-Exempt Interest Expense Allocation Rules for Financial Institutions.

As described above, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds. For purposes of this interest disallowance rule, bonds that are issued by a "qualified small issuers" are not taken into account as investments in tax-exempt municipal bonds. Under current law, a "qualified small issuer" is defined as any issuer that reasonably anticipates that the amount of its tax-exempt obligations (other than certain private activity bonds) will not exceed \$10,000,000. The bill would increase this dollar threshold to \$30,000,000 when determining whether a tax-exempt obligation issued in 2009 and 2010 qualifies for this small issuer exception. The small issuer exception would also apply to an issue if all of the ultimate borrowers in such issue would separately qualify for the exception. For these purposes, the issuer of a qualified 501(c)(3) bond shall be deemed to be the ultimate borrower on whose behalf a bond was issued. *These proposals are estimated to cost \$3.234 billion over 10 years.*

Eliminate Costs Imposed on State and Local Governments by the Alternative Minimum

Tax. The alternative minimum tax (AMT) can increase the costs of issuing tax-exempt private activity bonds imposed on State and local governments. Under current law, interest on tax-exempt private activity bonds is generally subject to the AMT. This limits the marketability of these bonds and, therefore, forces State and local governments to issue these bonds at higher interest rates. Last year, Congress excluded one category of private activity bonds (i.e., tax-exempt housing bonds) from the AMT. The bill would exclude the remaining categories of private activity bonds from the AMT if the bond is issued in 2009 or 2010. The bill also allows AMT relief for current refunding of private activity bonds issued after 2003 and refunded during 2009 and 2010. *This proposal is estimated to cost \$555 million over 10 years.*

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Delay Application of Withholding Requirement on Certain Governmental Payments for Goods and Services. For payments made after December 31, 2010, the Code requires withholding at a three percent rate on certain payments to persons providing property or services made by Federal, State, and local governments. The withholding is required regardless of whether the government entity making the payment is the recipient of the property or services (those with less than \$100 million in annual expenditures for property or services are exempt). Numerous government entities and small businesses have raised concerns about the application of this provision. The provision would delay for one year (through December 31, 2011) the application of the three percent withholding requirement on government payments for goods and services in order to provide time for the Treasury Department to study the impact of this provision on government entities and other taxpayers. *This provision is estimated to cost \$291 million over 10 years.*

Qualified School Construction Bonds. The bill creates a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by State and local governments of \$22 billion (\$11 billion allocated initially in 2009 and the remainder allocated in 2010). There is a national limitation on the amount of qualified school construction bonds that may be issued by Indian tribal governments of \$400 million (\$200 million allocated initially in 2009 and the remainder allocated in 2010). *This proposal is estimated to cost \$9.877 billion over 10 years.*

Extension and Increase in Authorization for Qualified Zone Academy Bonds (QZABs). The bill would allow an additional \$1.4 billion of QZAB issuing authority to State and local governments in 2009 and 2010, which can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest. *This proposal is estimated to cost \$1.045 billion over 10 years.*

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Tax Credit Bond Option for State and Local Governments (“Build America Bonds”). The Federal government provides significant financial support to State and local governments through the federal tax exemption for interest on municipal bonds. Both tax credit bonds and tax-exempt bonds provide a subsidy to municipalities by reducing the cash interest payments that a State or local government must make on its debt. Tax credit bonds differ from tax-exempt bonds in two principal ways: (1) interest paid on tax credit bonds is taxable; and (2) a portion of the interest paid on tax credit bonds takes the form of a Federal tax credit. The Federal tax credit offsets a portion of the cash interest payment that the State or local government would otherwise need to make on the borrowing. For 2009 and 2010, the bill would provide State and local governments with the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond. Because the market for tax credits is currently small given current economic conditions, the bill would allow the State or local government to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit for bonds. *This proposal is estimated to cost \$4.348 billion over 10 years.*

REINVESTMENT IN RENEWABLE ENERGY

Long-term Extension and Modification of Renewable Energy Production Tax Credit. The bill would extend the placed-in-service date for wind facilities for three years (through December 31, 2012). The bill would also extend the placed-in-service date for three years (through December 31, 2013) for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy; and marine renewable facilities. *This proposal is estimated to cost \$13.143 billion over 10 years.*

Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit. Under current law, facilities that produce electricity from solar facilities are eligible to take a thirty percent (30%) investment tax credit in the year that the facility is placed in service. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit. The production tax credit is payable over a ten-year period. Because of current market conditions, it is difficult for many renewable projects to find financing due to the uncertain future tax positions of potential investors in these projects. The bill would allow facilities to elect to claim the investment tax credit in lieu of the production tax credit. *This proposal is estimated to cost \$285 million over 10 years.*

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Repeal Subsidized Energy Financing Limitation on the Investment Tax Credit. Under current law, the investment tax credit must be reduced if the property qualifying for the investment tax credit is also financed with industrial development bonds or through any other Federal, State, or local subsidized financing program. The bill would repeal this subsidized energy financing limitation on the investment tax credit in order to allow businesses and individuals to qualify for the full amount of the investment tax credit even if such property is financed with industrial development bonds or through any other subsidized energy financing. *The cost of this proposal is included in the estimated cost of the next provision.*

Removal of Dollar Limitations on Certain Energy Credits. Under current law, businesses are allowed to claim a thirty percent (30%) tax credit for qualified small wind energy property (capped at \$4,000). Individuals are allowed to claim a thirty percent (30%) tax credit for qualified solar water heating property (capped at \$2,000), qualified small wind energy property (capped at \$500 per kilowatt of capacity, up to \$4,000), and qualified geothermal heat pumps (capped at \$2,000). The bill would repeal the individual dollar caps. As a result, each of these properties would be eligible for an uncapped thirty percent (30%) credit. *This proposal is estimated to cost \$872 million over 10 years.*

Clean Renewable Energy Bonds (“CREBs”). The bill authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This \$1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives. *This proposal is estimated to cost \$578 million over 10 years.*

Qualified Energy Conservation Bonds. The bill authorizes an addition \$2.4 billion of qualified energy conservation bonds to finance State, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions. The bill would also clarify that qualified energy conservation bonds may be issued to make loans and grants for capital expenditures to implement green community programs. The bill also clarifies that qualified energy conservation bonds may be used for programs in which utilities provide ratepayers with energy-efficient property and recoup the costs of that property over an extended period of time. *This proposal is estimated to cost \$803 million over 10 years.*

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Tax Credits for Energy-Efficient Improvements to Existing Homes. The bill would extend the tax credits for improvements to energy-efficient existing homes through 2010. Under current law, individuals are allowed a tax credit equal to ten percent (10%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during the taxable year. This tax credit is capped at \$50 for any advanced main air circulating fan, \$150 for any qualified natural gas, propane, oil furnace or hot water boiler, and \$300 for any item of energy-efficient building property. For 2009 and 2010, the bill would increase the amount of the tax credit to thirty percent (30%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements during the taxable year. The bill would also eliminate the property-by-property dollar caps on this tax credit and provide an aggregate \$1,500 cap on all property qualifying for the credit. The bill would update the energy-efficiency standards of the property qualifying for the credit. *This proposal is estimated to cost \$2.034 billion over 10 years.*

Tax Credits for Alternative Refueling Property. The alternative refueling property credit provides a tax credit to businesses (e.g., gas stations) that install alternative fuel pumps, such as fuel pumps that dispense E85 fuel, electricity, hydrogen, and natural gas. For 2009 and 2010, the bill would increase the 30% alternative refueling property credit for businesses (capped at \$30,000) to 50% (capped at \$50,000). Hydrogen refueling pumps would remain at a 30% credit percentage; however, the cap for hydrogen refueling pumps will be increased to \$200,000. In addition, the bill would increase the 30% alternative refueling property credit for individuals (capped at \$1,000) to 50% (capped at \$2,000). *This proposal is estimated to cost \$54 million over 10 years.*

Plug-in Electric Drive Vehicle Credit. The bill modifies and increases a tax credit passed into law at the end of last Congress for each qualified plug-in electric drive vehicle placed in service during the taxable year. The base amount of the credit is \$2,500. If the qualified vehicle draws propulsion from a battery with at least 5 kilowatt hours of capacity, the credit is increased by \$417, plus another \$417 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours up to 16 kilowatt hours. Taxpayers may claim the full amount of the allowable credit up to the end of the first calendar quarter in which the manufacturer records its 200,000th sale of a plug-in electric drive vehicle. The credit is reduced in following calendar quarters. The credit is allowed against the alternative minimum tax (AMT). The bill also restores and updates the electric vehicle credit for plug-in electric vehicles that would not otherwise qualify for the larger plug-in electric drive vehicle credit and provides a tax credit for plug-in electric drive conversion kits. *This proposal is estimated to cost \$2.002 billion over 10 years.*

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Addition of Permanent Sequestration Requirement to CO₂ Capture Tax Credit. Last year, Congress provided a \$10 credit per ton for the first 75 million metric tons of carbon dioxide captured and transported from an industrial source for use in enhanced oil recovery, and \$20 credit per ton for carbon dioxide captured and transported from an industrial source for permanent storage in a geologic formation. Facilities were required to capture at least 500,000 metric tons of carbon dioxide per year to qualify. The bill would require that any taxpayer claiming the \$10 credit per ton for carbon dioxide captured and transported for use in enhanced oil recovery must also ensure that such carbon dioxide is permanently stored in a geologic formation. *This proposal is estimated to have a negligible revenue effect.*

Parity for Transit Benefits. Current law provides a tax-free fringe benefit employers can provide to employees for transit and parking. Those benefits are set at different dollar amounts. This provision would equalize the tax-free benefit employers can provide for transit and parking. The proposal sets both the parking and transit benefits at \$230 a month for 2009, indexes them equally for 2010, and clarifies that certain transit benefits apply to federal employees. *This provision is estimated to cost \$192 million over ten years.*

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OTHER PROVISIONS

Treasury Department Energy Grants in Lieu of Tax Credits. Under current law, taxpayers are allowed to claim a production tax credit for electricity produced by certain renewable energy facilities and an investment tax credit for certain renewable energy property. These tax credits help attract private capital to invest in renewable energy projects. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, the bill would allow taxpayers to receive a grant from the Treasury Department in lieu of tax credits. This grant will operate like the current-law investment tax credit. The Treasury Department will issue a grant in an amount equal to thirty percent (30%) of the cost of the renewable energy facility within sixty days of the facility being placed in service or, if later, within sixty days of receiving an application for such grant. *This proposal is estimated to cost \$5 million over 10 years.*

Treasury Department Low-Income Housing Grants in Lieu of Tax Credits. Under current law, taxpayers are allowed to claim a low-income housing tax credit for certain investments made in low-income housing. These tax credits help attract private capital to invest in the construction, acquisition, or rehabilitation of qualified low-income housing buildings. Current economic conditions have severely undermined the effectiveness of these tax credits. As a result, the bill would allow taxpayers to receive a grant from the Treasury Department in lieu of tax credits. Under this provision, States housing agencies would receive a grant equal to up to eighty-five percent (85%) of forty percent (40%) of the state's low-income housing tax credit allocation in lieu of the low-income housing tax credits they would have received. The subawards are subject to the same requirements (including rent, income, and use restrictions on such buildings) as the low-income housing tax credit allocations. The grant program would apply to each state's 2009 low-income housing tax credit allocation. *This provision is estimated to cost \$69 million over 10 years.*

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 – FEBRUARY 12, 2009

FULL SUMMARY OF PROVISIONS FROM SENATE FINANCE, HOUSE WAYS & MEANS COMMITTEES

ASSISTANCE FOR FAMILIES & UNEMPLOYED WORKERS

Extension of Emergency Unemployment Compensation. Through December 31, 2009, the bill continues the Emergency Unemployment Compensation program, which provides up to 33 weeks of extended unemployment benefits to workers exhausting their regular benefits. *This provision is estimated to cost \$26.96 billion.*

Increase in Unemployment Compensation Benefits. The bill increases unemployment weekly benefits by an additional \$25 through 2009. *This provision is estimated to cost \$8.8 billion.*

Unemployment Compensation Modernization. The bill provides one-time grants to reward and encourage States enacting specific reforms designed to increase UC coverage among low-wage, part-time and other jobless workers, as well as provides an additional \$500 million in administrative funding to all States. *This provision is estimated to cost \$2.975 billion.*

Temporary Assistance to States with Advances to Unemployment Trust Funds. The bill temporarily waives interest payments and the accrual in interest on loans received by state unemployment trust funds through December 31, 2010. *This provision is estimated to cost \$1.1 billion.*

Additional Unemployment Provisions. Additional provisions extend unemployment compensation for 13 weeks to railroad workers, who are not included in the Federal/state unemployment system (*this provision is estimated to cost \$21 million*), and provide temporary federal assistance to states for the administration of the Extended Benefits program (*this provision is estimated to cost \$138 million*).

Temporary Assistance for Needy Families Contingency Fund: The bill creates through FY 2010 a capped, temporary TANF Emergency Contingency Fund to provide states with relief during this recession. *This provision is estimated to cost \$2.418 billion.*

Extension of TANF Supplemental Grants. Through FY 2010, the bill provides additional assistance to qualifying states with high population growth and/or increased poverty at the same amount awarded in FY 2009. *This provision is estimated to cost \$319 million.*

Child Support Enforcement. The bill repeals cuts to child support enforcement funding through September 30, 2010. *This provision is estimated to cost \$1 billion.*

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HEALTH INSURANCE ASSISTANCE

Premium Subsidies for COBRA Continuation Coverage for Unemployed Workers.

Recession-related job loss threatens health coverage for many families. To help people maintain coverage, the bill provides a 65% subsidy for COBRA continuation premiums for up to 9 months for workers who have been involuntarily terminated, and for their families. This subsidy also applies to health care continuation coverage if required by states for small employers. With COBRA premiums averaging more than \$1000 a month, this assistance is vitally important. To qualify for premium assistance, a worker must be involuntarily terminated between September 1, 2008 and December 31, 2009. The subsidy would terminate upon offer of any new employer-sponsored health care coverage or Medicare eligibility. Workers who were involuntarily terminated between September 1, 2008 and enactment, but failed to initially elect COBRA because it was unaffordable, would be given an additional 60 days to elect COBRA and receive the subsidy. To ensure that this assistance is targeted at workers who are most in need, participants must attest that their same year income will not exceed \$125,000 for individuals and \$250,000 for families. The Joint Committee on Taxation estimates that this provision would help 7 million people maintain their health insurance by providing a vital bridge for workers who have been forced out of their jobs in this recession. *This provision is estimated to cost \$24.7 billion.*

Medicare Payments for Teaching Hospitals. The bill blocks a FY09 Medicare payment reduction to teaching hospitals related to capital payments for indirect medical education (IME). *This provision is estimated to cost \$191 million.*

Medicare Payments to Hospice. The bill blocks FY09 Medicare payment cut to Hospice providers related to a wage index payment add-on. *This provision is estimated to cost \$134 million.*

Medicare Payments to Long Term Care Hospitals. The bill makes technical corrections to the Medicare, Medicaid, and SCHIP Extension Act of 2007 related to Medicare payments for long-term care hospitals. *The estimated cost of these provisions is \$13 million.*

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STATE FISCAL RELIEF AND MEDICAID

Temporary Federal Medical Assistance Percentage (FMAP) Increase. The bill increases FMAP funding for a 27-month period beginning 10/1/2008 through 12/31/2010, with an across-the-board increase to all states of 6.2% and a similar increase for territories. A bonus structure (in addition to the across-the-board increase) provides an additional decrease in State financial obligations for Medicaid based on increases in the State's unemployment rate. States will also be required to maintain effort on eligibility. *The estimated cost of these provisions is \$86.6 billion.*

Temporary Increase in Disproportionate Share Hospital (DSH) Payments. The bill increases states' FY2009 annual DSH allotments by 2.5 percent, and increases states' FY 2010 by 2.5 percent above the new FY2009 DSH allotment. After FY2010, states' annual DSH allotments would return to 100% of the annual DSH allotments as determined under current law. *The estimated cost of this provision is \$460 million.*

Extension of Moratoria on Medicaid Regulations. The bill extends moratoria on Medicaid regulations for targeted case management, provider taxes, and school-based administration and transportation services through June 30, 2009. The bill also adds a moratorium on the Medicaid regulation for hospital outpatient services through June 30, 2009. The provision includes a Sense of Congress that the Secretary of HHS should not promulgate regulations concerning payments to public providers, graduate medical education, and rehabilitative services. *These provisions are estimated to cost \$105 million.*

Extension of Transitional Medical Assistance (TMA). The bill extends TMA beyond the current expiration date of June 30, 2009, to December 31, 2010. *This provision is estimated to cost \$1.3 billion.*

Extension of the Qualified Individual Program. The bill extends the Qualified Individual program, which assists certain low-income individuals with Medicare Part B premiums, through December 31, 2010. *The estimated cost of this provision is \$550 million.*

Provisions from the Indian Health Care Improvement Act. The bill eliminates cost-sharing for American Indians and Alaska Natives in Medicaid, protects Indian Tribal property, and maintains access to Indian health facilities. *These provisions are estimated to cost \$134 million.*

Prompt Payment Requirements for Nursing Facilities and Hospitals. The bill temporarily applies Medicaid prompt pay requirements to nursing facilities and hospitals. *This provision is estimated to cost \$680 million.*

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HEALTH INFORMATION TECHNOLOGY

Funding for Health Information Technology (IT) through Medicare and Medicaid

Incentives. This bill promotes the use of health information technology (health IT), such as electronic health records, by: requiring the government to take a leadership role to develop standards by 2010 that allow for the nationwide electronic exchange and use of health information to improve quality and coordination of care; investing \$19 billion in health information technology infrastructure and Medicare and Medicaid incentives to encourage doctors, hospitals, and other providers to use health IT to electronically exchange patients' health information; and strengthening Federal privacy and security law to protect identifiable health information from misuse as the health care sector increases use of health IT. If the bill is enacted, approximately 90% of doctors and 70% of hospitals would adopt and use certified electronic health records within the next decade, according to the Congressional Budget Office. In turn, that would save the government more than \$12 billion (through reduced spending on Medicare, Medicaid, and other programs) and generate additional savings throughout the health sector through improvements in quality of care, care coordination, and reductions in medical errors and duplicative care. *The estimated net cost of this provision is \$17.2 billion; in addition, \$2 billion for affiliated grants and loans is available through discretionary funding.*

TRADE PROVISIONS

Expansion of Trade Adjustment Assistance (TAA) Programs: The bill significantly expands current Trade Adjustment Assistance Programs. Among other things, it extends TAA to trade-affected services sector workers and workers affected by offshoring or outsourcing to all countries, including China or India. It increases training funds available to states by 160 percent to \$575 million per fiscal year, creates a new TAA program for trade-affected communities, allows for automatic TAA eligibility for workers suffering from import surges and unfair trade, makes training, healthcare and reemployment TAA benefits more accessible and flexible, and improves the TAA for Firms and TAA for Farmers programs. It reauthorizes all TAA programs (which expired December 31, 2007) through December 31, 2010. *This proposal is estimated to cost \$1.6 billion.*

Duty Refund Recollection: The bill prohibits U.S. Customs and Border Protection (CBP) from demanding that U.S. lumber, steel, and other companies repay duties that CBP collected on Canadian and Mexican imports, and then distributed to the companies between 2001 and 2005. *This proposal is estimated to cost \$90 million.*

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DEBT LIMIT

Debt Limit Increase. The bill increases the statutory limit on the public debt by \$789 billion, from \$11.315 trillion to \$12.104 trillion.