

## 2009 Stimulus Package: What's In It For You -- and When

There's good news ahead for most taxpayers. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act into law -- an economic stimulus bill that gives tax breaks to a large portion of Americans of all ages and income levels, as well as to businesses.

### Most taxpayers will get more money in their pockets in 2009

The American Recovery and Reinvestment Act, according to White House estimates, will give a direct tax break to 95 percent of workers and their families. It includes tax breaks that provide a financial boost to everyone from the unemployed, to families with children and children in college, to first-time homebuyers and new car buyers. Some families could save more than \$13,000 total from all of the breaks the package provides ([see our visual breakdown here](#)).

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### Workers

**Making Work Pay Credit:** Workers and the self-employed would get a payroll tax credit for 2009 and 2010 of up to \$400 a year for single taxpayers, and up to \$800 for couples filing jointly.

In 2009, the IRS adjusted the withholding tables, thereby boosting taxpayers' paychecks. The increase was as much as \$40 per month per worker. Self-employed workers can claim the credit on their 2009 tax returns. In the meantime, they could reduce their estimated tax payments for 2009.

For single tax filers, the credit will begin phasing out at an Adjusted Gross Income (AGI) of \$75,000. For couples filing jointly, the phaseout zone will start at \$150,000 of AGI. (Adjusted Gross Income is your total income from wages and other income minus certain adjustments, such as deductible IRA contributions and alimony paid.)

To learn more, read [New Credit to Increase Your Take-Home Pay](#).

### Unemployed

**Reduced taxes on unemployment income:** Normally, people receiving unemployment benefits must report them as income and can be taxed on them. The new bill makes the first \$2,400 of unemployment income nontaxable.

To learn more, read [Unemployment Benefits Get Big Boost](#).

**Lowered cost for COBRA health insurance:** This is a valuable benefit for workers who lose their health insurance when they lose their jobs. This government subsidy should help more unemployed people afford to keep their insurance.

To learn more, read [Health Insurance Assistance for Unemployed](#).

### First-time homebuyers

**First-time Homebuyer's Credit:** The tax package increased the \$7,500 first-time homebuyer credit to \$8,000 for primary residences purchased between January 1, 2009 and November 30, 2009, and eliminated the requirement that the credit be repaid, as long as the house isn't sold within three years.

The Homebuyer's Credit was expanded and made easier to qualify for under a law signed in November, 2009. To earn a tax credit of up to \$8,000, first-time homebuyers now have until May 1, 2010 to sign a contract and until July 1, 2010 to close on a house. Also, people who already own their homes and have lived in them for at least five of the last eight years may now take a credit of up to \$6,500 if they buy a new principal residence.

To learn more, see [Taking the New 2009 First-Time Homebuyer's Credit](#).

For even more details, see [How the First-Time Homebuyer Credit Works](#).

### College students and their families

**Expanded Hope Credit:** The Hope Credit for college costs is increased to \$2,500 for 2009 and 2010, covering 100 percent of the first \$2,000 of tuition and related expenses per year and 25 percent of the next \$2,000.

The credit is available for all four years of college, up from only two years, and also covers the cost of books. It is 40 percent refundable, and begins to phase out at \$80,000 of Adjusted Gross Income for single filers and \$160,000 of Adjusted Gross Income for married couples.

The bill also allows tax-free distributions from Section 529 College Savings Plans to cover computer purchases.

To learn more, read [Bigger, Better College Tax Credit](#).

### New car buyers

**New car sales tax deduction:** Buyers of new cars, light trucks, SUVs, motorcycles and motor homes during 2009 can deduct the state sales or excise

tax they pay, even if they don't itemize their deductions.

This break starts phasing out for single taxpayers with Adjusted Gross Income over \$125,000 and couples with AGI over \$250,000.

To learn more, read [Deduct the Sales Tax Paid on a New Car](#).

## Families

**Expanded Earned Income Tax Credit (EITC):** More couples who file jointly and have children will qualify for the Earned Income Credit.

The tax package starts the phaseout range at \$21,420, an increase of \$1,880. Also in 2009, the credit increases for families with three or more children to 45 percent of the first \$12,570 of earned income, up from 40 percent.

To learn more, read [A Stimulus Boost for Some Earned Income Tax Filers](#).

**Enhanced Child Tax Credit:** Plus, the Child Tax Credit will cover more low-income earners: For 2008, the credit is refundable to the extent of 15 percent of an individual's earned income in excess of \$8,500; for 2009 and 2010, that floor drops to \$3,000.

## Retirees, veterans and the disabled

**One-time payment of \$250:** Because the payroll tax credit only goes to employees and the self-employed, the bill added something for others as well: a one-time payment of \$250 to recipients of Social Security benefits, Railroad Retirement benefits, Supplemental Security Income payments, and pension and disability benefits from the Veterans Administration.

Government retirees who don't get Social Security will also receive a one-time refundable tax credit of \$250 in 2009.

## Homeowners

**Extended energy-saving credits:** The 10 percent tax credit for energy-saving home improvements climbs to 30 percent and is extended through 2010. Improvements that qualify for the credit include energy-efficient skylights, windows and outer doors, along with energy-saving water heaters, central air conditioners and biomass stoves.

The bill also eliminates individual credit caps for the different types of property, and instead imposes a \$1,500 cap on all qualifying property.

For more information, read [Conserve Energy, Save Money with Larger Credits](#).

## Middle-income taxpayers

**One-year "patch" on the Alternative Minimum Tax:** To keep millions of middle-income taxpayers from being forced to pay the Alternative Minimum Tax (AMT) for 2009, the measure increases the minimum tax exemptions to \$70,950 for couples filing jointly and \$46,700 for single filers. Otherwise, the exemptions would top out at just \$45,000 for couples and \$33,750 for singles.

## Small businesses

Small businesses would most likely be affected by the following changes:

### Bonus depreciation

Special 50 percent, first-year bonus depreciation is revived for assets bought and placed in service during 2009.

### Loss carrybacks

Businesses that averaged \$15 million or less in gross receipts over the past three years were allowed to carry back losses for five years instead of two. The easing applied only to 2008 losses.

Learn more at the TurboTax site, [2009 Stimulus Package for Small Businesses](#).

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