

The Coleman Comment

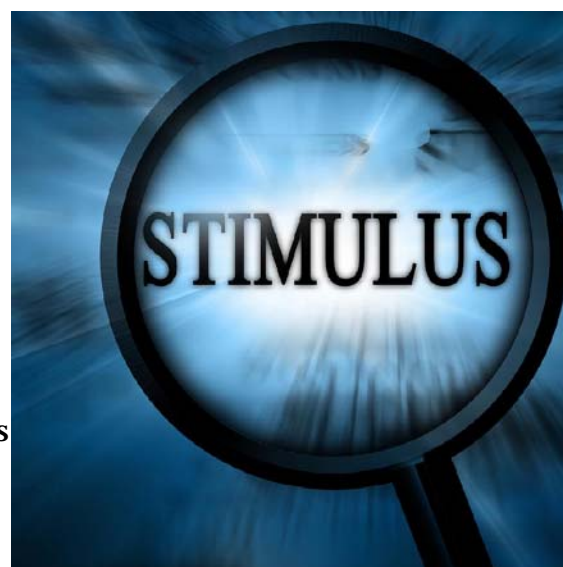
March 2009

The Stimulus Bill: The Money Might Motivate, But What's the Motive Behind the Money?

As domestic and foreign economies continue to strive for positive growth, headlines have shifted from breaking news about bailouts to seeking the silver lining in the stimulus. The American Recovery and Reinvestment Act of 2009, more affectionately known as The Stimulus Bill, was signed into law on February 17. The motive behind the bill is to 'stimulate' the economy by motivating you - the taxpayer - into feeling solvent through the promise of a little extra money in your pockets. The government hopes that, with additional funds on hand, you will go out and spend, spend, spend on consumer goods and business infrastructure, thereby boosting the sagging economy.

The good news - There is potential relief in The Stimulus Bill for everybody - business owners, employees and retirees. The massive government bailout will provide nearly \$300 billion in tax cuts over the next two years. However, there are many caveats and a lot of fine print to go along with the relief. To understand if any of the stimulus tax changes impact your bottom line, it's a good idea to consult with your tax advisor.

Here is an overview of some of the more popular provisions of the stimulus bill:



Making Work Pay Tax Credit. Working Americans might see an additional \$400 to \$800 in their annual paychecks for 2009 and 2010. The full credit is available to those with modified adjusted gross incomes of less than \$75,000 for a single filer and \$150,000 for married filing jointly. (A partial credit applies at income levels up to \$95,000 for single taxpayers and \$190,000 for joint returns.) The government is automatically adjusting withholding formulas so employees don't actually have to do anything to receive the credit. But your employer does not know your entire financial picture - i.e., your household income may exceed the income limits - so automatically adjusting your withholdings may not be beneficial to you. You may want to submit a revised W-4.

Alternative Minimum Tax (AMT) Patch. For 2009, the AMT exemption amounts have been raised slightly to \$70,950 for joint filers and \$46,700 for single filers. This patch is in place to keep more than 25 million middle class taxpayers from being subjected to the AMT.

COBRA Health Coverage. For employees who are involuntarily terminated from employment between Sept 1, 2008, and January 1, 2010, and are eligible to receive continuing healthcare coverage through COBRA, 65 percent of the cost of this coverage will be paid by the government for up to nine months. This applies if your income is less than \$125,000 for individuals and less than \$250,000 for families. (The caveat here is for the business owner - the 65 percent being covered by the government is initially paid by the employer, who in turn will be reimbursed with a credit of income tax withholding and payroll taxes.)

Unemployment Compensation. Up to \$2,400 of unemployment compensation received is excludable from taxation for the recipient.

First Time Homebuyers Tax Credit. For first time homebuyers purchasing a home before November 30, 2009, the homebuyer tax credit is equal to 10% of the purchase price up to \$8,000. The credit phases out for single filers with modified adjusted gross income between \$75,000 and \$95,000 and for joint filers between \$150,000 and \$170,000.

New Car Purchase Sales Tax Deduction. If you buy a new car in 2009 between February 17 and December 31 - and it meets the Clean Air Act standards (generally, vehicles weighing less than 8,500 pounds) - you are entitled to a deduction for the sales tax paid as long as the sales tax amount is attributable to a price of up to \$49,500. Income limits apply. Sales taxes paid on a leased car do not qualify.



Social Security. Recipients will receive a one time payment of \$250. This payment is tax free and applies for year 2009 only. Checks could arrive in late May.

Reverse Mortgages. For 2009 only, the loan limit has been raised to \$625,000.

Business Owners. There are several incentives - to the tune of more than \$75 billion in potential tax benefits - but the details are numerous so here are just a few of the provisions:

Increased Code Sec 179 expensing of up to \$250,000 for new or used property in service in 2009.

Net operating loss (NOL) carryback rules extend to maximum five years. Businesses with 2008 NOLs can carryback those losses for 3, 4 or 5 years, leading to a potential refund of previously paid taxes.

Estimated tax payments for small business owners will be based on 90 percent of year 2008 tax return income (instead of 100 %).

Additional provisions were announced in mid-March to help jumpstart the credit market for small businesses. The emphasis here is on increasing guarantees and reducing fees for the Small Business Administrations 7(a) loan program and 504 Community Development loan program.



There's no doubt that The Stimulus Bill of 2009 will have an impact. The information provided above is in no way a comprehensive review, but does provide a brief summary of the bill's major highlights. If you have general questions regarding this information, please contact [Coleman Financial Group](#). If you have specific tax questions, please consult with your tax advisor.

Missing Money?

Unrelated to The Stimulus Bill, it may surprise you to learn that you or someone you know has unclaimed money or property waiting to be acknowledged. The website www.missingmoney.com provides access to a database of unclaimed property records maintained by the government. Unclaimed property - such as bank accounts, stocks, bonds, dividends, utility deposits, uncashed checks and more - may have been left with previous employers, insurance companies, investment companies, etc, but still legally belongs to the specified owner who may have just simply forgotten about it. Many States have joined forces with the National Association of Unclaimed Property Administrators to facilitate the identification of such unclaimed property and to make it easier for the rightful owner to reclaim their property.

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