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Dear client,

I wanted to let you know about the recently passed tax cut package, the *American Recovery and Reinvestment Act of 2009*. You may be wondering how this legislation will affect you. Highlighted below is a summary of the major components of the act.

American Recovery and Reinvestment Act of 2009

- **Higher Education** – For 2009 and 2010, college students and their families will benefit from this provision since it increases the maximum Hope Credit from \$1,800 to \$2,500 and extends it from the first two years to the first four years of post-secondary education. This credit is phased out for individuals with income over \$80,000 and married filing joint taxpayers over \$160,000. **Course materials and textbooks are also now allowed in addition to tuition payments.**
- **First-Time Homebuyer's Credit** – The maximum credit increases from \$7,500 to \$8,000 for first-time homebuyers who purchase a house between January 1, 2009 and November 30, 2009. The amount of the credit remains 10% of the purchase price. **For houses purchased during 2009, repayment is not required if the homebuyer does not dispose of the residence within three years of purchase.** The credit is phased out for individuals with income over \$75,000 and married filing joint taxpayers over \$150,000. **Please note that a first-time homebuyer is considered to be a taxpayer who has not owned a principal residence in the United States during the previous 3 years.**
- **Residential Energy Property Credit** – Tax credit for 30% of the cost of energy efficient improvements made to a taxpayer's primary residence in 2009 and 2010. The maximum credit is limited to a total of \$1,500 for both years combined. Qualified improvements may include: windows, exterior doors (including storm doors and garage doors), insulation, furnaces, air conditioners, and hot water tanks. The windows and doors must have a U-factor and a SHGC of .30 or less. Insulation and central air conditioners must meet 2009 standards. Water heaters must have an energy factor of at least .82 or a thermal efficiency of 90 percent. Natural gas and propane furnaces must have a fuel utilization efficiency rate of at least 95. Boilers and oil furnaces must have a fuel utilization rate of at least 90.

- **Making Work Pay Credit** – This credit is intended to partially offset an employee’s portion of Social Security payroll taxes. This temporary credit is \$400 for individuals and \$800 for joint filers and is paid in during the year to employees as an increase in their paychecks. These amounts are per year for 2009 and 2010. The credit is phased out for individuals with income over \$75,000 and married filing joint taxpayers over \$150,000.
- **New Car Sales Tax Deduction** – Buyers of new cars and light trucks between February 17, 2009 and December 31, 2009 may deduct the sales taxes attributable to the first \$49,500 of the vehicle’s purchase price. The deduction is phased out for individuals with income over \$125,000 and married filing joint taxpayers over \$250,000.
- **Social Security and Federal Benefit Recipients, and Certain Government Retirees** – A one-time payment of \$250 is being made to certain individuals on fixed incomes who are not eligible for the Making Work Pay Credit.
- **Required Minimum IRA Distributions** – No distributions are required for 2009.
- **Earned Income Credit** – Increased credit amounts especially for taxpayers with three or more qualifying children.
- **Unemployment Exclusion** - There will be a temporary exclusion of \$2,400 of unemployment benefits from taxable income for 2009.
- **Section 179 Depreciation** – Businesses may be eligible to expense up to \$250,000 of qualifying property.
- **Net Operating Loss Carryback** – Businesses with gross receipts of \$15 million or less may elect to carryback 2008 losses either two, three, four, or five years.

This tax cut package also contains additional provisions not identified above. If you want to discuss how this tax cut package might benefit you, call me at (412) 672-1040.

Very truly yours,

Emmett A. Pais, CPA