



# The American Recovery and Reinvestment Act Providing Tax Relief By Congressman Solomon P. Ortiz

On February 13, 2009, Congressman Solomon P. Ortiz (TX-27) joined the majority of the House of Representatives in passing H.R. 1, the American Recovery and Reinvestment Act. This historic piece of legislation will save and create approximately 3.5 million jobs, stimulate the nation's economy, and transform the economy to promote long-term growth and stability. In Texas, approximately 269,000 jobs will be saved or created as a result of this legislation. More than 35 percent of the package will provide direct tax relief to about 95 percent of American workers. Additionally, the legislation provides tax relief to individuals, families and businesses.

## Providing Tax Relief for Individuals and Families

**“Making Work Pay” Tax Credit.** The bill provides a tax cut for more than 95% of working families. For 2009 and 2010, the bill would provide a refundable tax credit of up to \$400 for working individuals and \$800 for working families. The credit would phase out for taxpayers with adjusted gross income in excess of \$75,000, or income in excess of \$150,000 for married couples filing jointly. The available credit would be reduced by 2% of the income that exceeds the \$75,000 or \$150,000 amount.

**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 the agreement, taxpayers would receive a credit for 100% of the first \$2,000 in qualifying tuition and related expenses, and 25% for the second \$2,000 in such expenses, for a maximum credit of \$2,500. The credit would be subject to a phase-out for taxpayers with adjusted gross income in excess of \$80,000, or \$160,000 for married couples filing jointly.

**Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits.** The bill 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.

**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 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.

**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.

**Deduction for Automobiles.** The legislation provides a tax deduction for state and local sales taxes paid on the purchase of new cars, light trucks, recreational vehicles, and motorcycles through 2009. The deduction phases out starting with taxpayers earning \$125,000 per year (\$250,000 for joint returns).

**Consumer Vehicle Incentives.** The agreement provides a tax credit for families who purchase plug-in hybrid vehicles with a base credit of \$2,500.

### **Providing Tax Relief for Businesses**

**Extension of Bonus Depreciation.** Helps businesses quickly recover costs of new capital investments by allowing businesses to recover the costs of capital expenditures made in 2009 faster than the ordinary depreciation schedule would allow by permitting businesses to immediately write-off 50% of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired for use in the United States.

**Incentives to Hire Unemployed Veterans.** The legislation adds unemployed veterans as a targeted group through the Work Opportunity Tax Credit, which allows businesses to receive a work opportunity tax credit equal to 40% of the first \$6,000 of wages paid to employees for hiring workers from certain groups.

**Assistance to Small Businesses.** The legislation includes a variety of provisions to help small business, including small business expensing for investment in new plants and equipment, loss carry back for small businesses, a delay of the 3% withholding tax on payments to businesses that sell goods or services to governments, and a cut in the capital gains tax cut for investors in small businesses who hold stock for more than five years.

### **Ensuring Accountability and Transparency of Taxpayer Investment**

Funds appropriated in the American Reinvestment and Recovery Act will be distributed via existing formulas and programs with proven track records when possible. Through various measures, the legislation promotes swift obligation of funds to immediately stimulate the economy, while still ensuring transparency and accountability. Measures are in place so that taxpayers will be able to see exactly how their investment in our nation's economy is being spent at <http://www.recovery.gov/>. Any obligation of funds by a federal, state or local entity and all competitive grants must be posted for the public on this website. There are no earmarks in this bill.

To find out more information concerning infrastructure and science investment in the American Recovery and Reinvestment Act, please visit <http://ortiz.house.gov/> and <http://www.recovery.gov/>.

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