

April 1, 2009

**RE: Current Events Memorandum
Highlights of the “American Recovery & Reinvestment Act of 2009”**

Personal:

- 1. Extension of AMT Relief for 2009:** The Alternative Minimum Tax exemption amount is increased to \$70,950 for joint filers and \$46,700 for individuals.
- 2. Tax Credits:** the bill provides a refundable tax credit of up to \$400 for working individuals and \$800 for working families (calculated at 6.2% of earned income; phased out for individuals with gross income over \$75,000 or \$150,000 for married couples filing jointly).
- 3. Refundable First-time Home Buyer Credit:** The previous provision required a repayment of the tax credit over a 15-year period, without interest being owed. The new provision allows for a maximum credit of \$8,000 that does not need to be paid back. Again, implications change with \$75,000 or \$150,000 gross income for individuals and couples, respectively.
- 4. Sales Tax Deduction for Vehicle Purchases:** This provides "a deduction for State and local sales and excise taxes paid on the purchase of new cars, light trucks, recreational vehicles, and motorcycles through 2009".

Corporate:

- 1. Election to Accelerate Recognition of Historic AMT/R&D Credits:** An extension of a provision enacted last year, which "temporarily allowed businesses to accelerate the recognition of a portion of their historic AMT or research and development credits in lieu of bonus depreciation".
- 2. Extension of Enhanced Small Business Expensing:** To recover the cost of certain capital expenses, small businesses may choose to write-off the cost of these expenses in instead of using a method of depreciation. Until the end of 2010, small business taxpayers may write-off up to \$125,000.
- 3. Small Business Capital Gains:** Section 1202 of current law dictates that 50% of the gain from the sale of certain small business stock (held for more than five years) may be excluded. The amount of gain that is eligible is limited to the greater of 10x the taxpayer's basis in the stock or \$10 million gain from the stock, whichever is greater.
- 4. Temporary Reduction of S Corporation Built-In Gains Holding Period from 10 Years to 7 Years:** Currently, if a taxable corporation converts in to an S Corporation, the conversion is not a taxable event; however, following, the 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 reduces this holding period from 10 years to 7 years.