

CHAPIN, BALLERANO & CHESLACK

ATTORNEYS AT LAW

WEALTH PRESERVATION SOLUTIONS
SINCE 1970

“SPECIAL REPORT”

How the Economic Stimulus Package will affect you!

President Obama has just signed the \$787 billion economic stimulus package for 2009 into law. The most germane components of this package are the tax breaks and tax credits available for most Americans. Beginning in June, individuals should expect to have an extra \$52.00 per month in spending money. This comes from a \$400.00 tax credit per individual, which unlike past tax credits will be doled out directly through paychecks. The yearly fix on the Alternative Minimum Tax (AMT) has been dealt with already. For 2009, middle-income and wealthy taxpayers will generally be spared from paying the AMT. There is an added benefit to 529 college savings plans; computer expenses will now be allowable.

First-time homebuyers who purchase their homes before December 1, 2009 would be eligible for an \$8,000 tax credit, and anyone who buys a new car before the end of 2009 can write off the sales taxes on that purchase. The environmentally conscious homeowner who adds “energy-efficient” windows, furnaces and air conditioners or makes repairs such as fixing leaky windows or putting more insulation into the attic can receive a tax credit to cover 30 percent of the costs, up to a total of \$1,500. There will also be tax rebates for people buying energy efficient appliances. Other tax benefits included: college students, or parents, are eligible for tax credits of up to \$2,500 to help pay tuition and related expenses in 2009 and 2010; the \$1,000 child tax credit will be extended to more low-income families that don't make enough money to pay income taxes; poor families with three or more children will receive an expanded Earned Income Tax Credit; and finally, those receiving unemployment benefits this year wouldn't pay any federal income taxes on the first \$2,400 they receive and will receive an extra \$25 per check.

Furthermore, in an effort to address the healthcare issues of the growing number of unemployed, the government will pick up 65 percent of the COBRA health insurance premiums for the first nine months. This subsidy will only be offered to those who lost their jobs from Sept. 1, 2008 to the end of 2009. Those who were put out of work after September 1st, but didn't elect to have COBRA coverage at the time will now have 60 days to sign up.

Medicaid and Supplemental Security Income (SSI) recipients will receive some relief. People who receive SSI, the elderly, blind or disabled, would receive a one-time extra payment of \$250. In addition, Florida and other cash-strapped states will obtain an infusion of \$87 billion for Medicaid, the government health program for the poor.

The stimulus package sprays out monies at various other programs. This includes \$20 billion aimed at "green" jobs to make wind turbines, solar panels and improve energy efficiency in schools and federal buildings. It includes \$6 billion in loan guarantees for renewable energy projects. About \$11 billion goes to modernize and expand the nation's electric power grid and \$2 billion to spur research into batteries for future electric cars. There is \$3.7 billion for police programs, much of which is set aside for hiring new officers. The package spends an estimated \$32 billion on higher education.

One of the few things that are certain about the president's \$790 billion stimulus package is that it will cause the federal debt, already at \$10.7 trillion dollars (\$36,000 per individual), to balloon. Forecasters expect the 2009 budget deficit to hit \$1.6 trillion with the new stimulus and bank-bailout spending. Interest payments alone on the national debt will approach \$500 billion in 2009. The national debt is already the fourth-largest federal expenditure, after Medicare-Medicaid, Social Security and defense.

TAX ADVICE DISCLOSURE: Pursuant to Internal Revenue Service Circular 230, we are required to advise you that if there is any tax advice contained herein, it is not intended to be used, and cannot be used, by the addressee or any taxpayer, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or promoting, marketing or recommending to any other party any tax related matter addressed herein.