



## ECONOMIC STIMULUS PASSES CONGRESS & SIGNED INTO LAW 17 February 2009

### *How the Economic Stimulus Plan Affects Individuals with Disabilities*

The \$789 billion U.S. economic stimulus package, which was signed into law February 17th by President Barack Obama, contains numerous tax provisions including \$282 billion in tax cuts. Several of the major tax provisions incorporated in the final bill include:

- **MAKING WORK PAY TAX CREDIT:** Creates a "Making Work Pay" tax credit of \$400 or 6.2% of earned income (whichever is less) per individual and \$800 for a couple in 2009 and 2010. It is phased out for individuals with adjusted incomes over \$75,000 and couples with incomes over \$150,000. This credit is not included in income for purposes of any federal means-tested benefit program. It is included in resources but only after two months. The best and quickest way to benefit from this credit is to make sure that your employer decreases your withholding to reflect it.
- **ONE-TIME PAYMENT FOR SS BENEFICIARIES, VETERANS & RR RETIREES:** Provides a one-time payment of \$250 to Social Security beneficiaries, railroad retirees and veterans receiving benefits from the Veterans Affairs department. This is in addition to the Making Work Pay Tax Credit, and there is no tax return filing requirement to access this benefit. Beneficiaries will receive an electronic payment within 120 days of the Secretary of Treasury initiating the benefit. Payment will NOT count as a resource or income for SSI beneficiaries, thus making all beneficiaries eligible for the one-time payment.
- **STATE GOVERNMENT RETIREES ALSO ELIGIBLE FOR ONE-TIME PAYMENT:** State government retirees not eligible for Social Security would also get the \$250 payment. Also, Sec. 2202 provides for a \$250 tax credit (refundable) to those federal and state retirees who worked at a time when their wages were not subject to Social Security payroll tax. They will have to file a return and this credit will reduce the amount they may qualify for under the Making Work Pay Credit, if the filers are still working. This group did not qualify for ESP payments last year based on their retirement pensions, which were not considered qualifying income(although they could have qualified based on income tax liability or other qualifying income).
- **EARNED INCOME TAX CREDIT INCREASE:** Increases the earned income tax credit for low-income workers with three or more children.
- **EXPANSION OF CHILD TAX CREDIT:** Expands eligibility for the \$1000 refundable child tax credit to more low-income workers families that don't make enough money to pay income taxes, reducing the income floor to \$3,000 in 2009 and 2010 from the current floor of \$8,500.
- **EDUCATIONAL EXPENSES:** Provides a new \$2,500 tax credit for college education expenses. The credit phases out for individuals earning more than \$80,000 and couples with incomes over \$160,000.
- **FIRST-TIME HOMEBUYERS:** Provides an \$8,000 tax credit for first-time home buyers for homes purchased between Jan. 1 and Dec. 1, 2009. The tax credit phases out for individuals earning more than \$75,000 and couples earning more than \$150,000.
- **ALTERNATIVE MINIMUM TAX:** Provides temporary relief from the alternative minimum tax for millions of middle-class taxpayers.
- **FOR BUSINESSES**

- Allows small businesses with gross receipts of up to \$15 million to write off 2008 losses against five previous tax years. Current law allows a two-year carry-back of losses.
- Businesses will also be allowed to immediately write off more of their investments in computers and other equipment.
- Gives a tax break on capital gains from the sale of stock held in a small business for more than five years.
- **FOR STATE AND LOCAL GOVERNMENTS**
  - Creates a new category of tax-preferred bonds for investment in economic recovery zones for job training, education and economic development.
  - Creates a new category of tax-preferred bonds for the construction, and repair of public schools and the purchase of land for schools.
  - Creates a federal subsidy for state and local governments offering bonds that give investors credits against their federal taxes in place of interest payments.

**Additionally, the stimulus package included several additional forms of assistance beyond tax relief, including the following provisions<sup>ii</sup>:**

- **AGING SERVICES TECHNOLOGY STUDY & REPORT**
  - Provides funding to the Secretary of Health & Human Services to support a study of the use of innovative technologies to assist the elderly, individuals with disabilities and their caregivers throughout the aging process.
- **DIGITAL-TO-ANALOG CONVERTER BOX PROGRAM**
  - Specifies that \$90 million of the \$650 million must be used for education and outreach, including grants to organizations for programs to educate vulnerable populations, including senior citizens, minority communities, people with disabilities, low-income individuals, and people living in rural areas. The funds can also be used to provide one-on-one assistance for installing the digital-to-analog converter boxes for these populations.
- **EDUCATION EMERGENCY REPAIR & INFRASTRUCTURE GRANTS**
  - Criterion includes consideration of whether or not current infrastructure is inaccessible to people with disabilities.
- **HEALTH INSURANCE:**
  - For individuals who have lost their jobs from 1 September 2008 thru the end of 2009 and qualify to extend their health insurance benefits under COBRA, the government will cover 65% of the total cost of the employer premium for the first 9 months. Those who didn't elect COBRA coverage at the time will have 60 days to enroll should they choose. However, COBRA is not available for people whose companies go out of business or drop the insurance.
  - \$87 billion to support state Medicaid programs.
- **HUD PROVISIONS**
  - Gives the Secretary of Housing & Urban Development broad authority to waive legal requirements in the administration of housing programs under the Act, but prohibits the Secretary from waiving requirements related to fair housing, non-discrimination, labor standards, and the environment.
  - Ensures that recipients of HUD assistance via the economic stimulus package must honor Section 8 leases and cannot refuse to rent to Section 8 subpopulations.
- **INFRASTRUCTURE DEVELOPMENT GRANTS**
  - All grantees must ensure that all infrastructure building projects are in compliance with Section 504 of Title 4 of the Workforce Investment Act of 1998.

- **SMALL BUSINESSES:**
  - Clarifies definition of “individuals with disabilities and business owned by individuals with disabilities” within Small Business Act to confirm the rights of disabled business owners to benefit from the tax credits afforded to small businesses (see above).
  
- **SPECIAL EDUCATION:**
  - \$12.2 billion, of which
    - \$11.3 billion reserved for Section 611 of the IDEA
    - \$400 million reserved for Section 619 of the IDEA
    - \$500 million reserved for Part C of the IDEA
  
- **UNEMPLOYMENT ASSISTANCE:**
  - Individuals shall not be disqualified from regular unemployment compensation for separating from employment if that separation is for any compelling family reason, including the illness or disability of a member of the individual's immediate family (as defined by the Secretary of Labor)
  - Those receiving unemployment benefits this year will not have to pay federal income taxes on the first \$2400 they receive.
  
- **VOCATIONAL REHABILITATION**
  - \$680 million
    - \$540 million for part B of Title I of the Rehabilitation Act
    - \$140 million for parts Band C of Chapter 1 & 2 of Title VII of the Rehab act
      - \$18.2 for state grants
      - \$87.5 for independent living centers
      - \$34.3 for services for older blind individuals

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<sup>i</sup> In addition to reviewing the actual text from Division A & B of H.R. 1, The American Recovery & Reinvestment Act, recent information on tax provisions included in the legislation was further verified using the following sources: *Reuters* (13 February 2009); *U.S. House of Representatives Appropriations Committee Executive Summary & Detailed Summaries* ([www.house.gov/appropriations](http://www.house.gov/appropriations)); and the *Joint Statement on Division B, U.S. House of Representatives Rules Committee* (<http://www.rules.house.gov/>).

<sup>ii</sup> All programmatic assistance sections were verified upon review of the 12 February text of H.R. 1, The American Recovery & Reinvestment Act.