

Provisions of the American Recovery and Reinvestment Act of 2009

Tax Provisions (\$300 billion)

Individuals and Families (\$232 billion)

- 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 bill would provide 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.
- The bill would temporarily increase the earned income tax credit for working families with three or more children.
- The bill would increase the eligibility for the refundable child tax credit in 2009 and 2010.
- 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.
- Provides taxpayers with a refundable tax credit that is equivalent to an interest-free loan equal to 10 percent of the purchase of a home (up to \$7,500) by first-time home buyers.

Businesses (\$68 billion)

- Extends bonus depreciation of immediate write-off of 50% of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009.
- For 2008, the bill would extend the maximum NOL carryback period from two years to five years for small businesses with gross receipts of \$15 million or less.
- The proposal establishes a new 30% investment tax credit for facilities engaged in the manufacture of advanced energy property.
- The bill would create a new category of tax credit bonds for investment in economic recovery zones.
- Eliminates costs imposed on state and local governments by the alternative minimum tax.
- The bill creates a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed.
- Several provisions promoting investment in renewable energy and energy conservation.
- Many other provisions dealing with complex business tax matters.

Assistance for Families & Unemployed Workers (\$43.7 billion)

- Through December 31, 2009, the bill continues the Emergency Unemployment Compensation program, which provides up to 33 weeks of extended unemployment benefits to workers exhausting their regular benefits.

- The bill increases unemployment weekly benefits by an additional \$25 through 2009.
- The bill temporarily waives interest payments and the accrual in interest on loans received by state unemployment trust funds through December 31, 2010.
- The bill creates through FY 2010 a capped, temporary TANF Emergency Contingency Fund to provide states with relief during this recession.
- The bill repeals cuts to child support enforcement funding through September 30, 2010.

Health Insurance Assistance (\$25 billion)

- The bill provides a 65% subsidy for COBRA continuation premiums for up to 9 months for workers who have been involuntarily terminated, and for their families. (\$25 billion)

Health Information Technology (\$17.5 billion)

- This bill promotes the use of health information technology (health IT), such as electronic health records, by requiring the government to take a leadership role to develop standards by 2010 that allow for the nationwide electronic exchange and use of health information. (\$19 billion)

Trade Provisions (\$1.6 billion)

- The bill significantly expands current Trade Adjustment Assistance Programs.
 - It extends TAA to trade-affected services sector workers and workers affected by offshoring or outsourcing to all countries, including China or India.
 - It increases training funds available to states by 160 percent to \$575 million per fiscal year.
 - Creates a new TAA program for trade-affected communities.

Infrastructure Improvements (\$120 billion)

- \$7.2 billion for Broadband
- \$2.75 billion for the Department of Homeland Security
- \$4.6 billion in funding for the Corps of Engineers
- \$1.2 billion for VA hospital and medical facility construction and improvements
- \$3.1 billion for repair, restoration and improvement of public facilities on public and tribal lands
- \$2.33 billion for Department of Defense Facilities
- \$1 billion for the Community Development Block Grant

Transportation

- \$27.5 billion is included for highway investments
- \$8.4 billion for investments in public transportation
- \$1.5 billion for competitive grants to state and local governments for transportation investments
- \$1.3 billion for investments in our air transportation system
- \$9.3 billion for investments in rail transportation

Public Housing

- \$4 billion to the public housing capital fund
- \$2 billion for the redevelopment of abandoned and foreclosed homes

Environmental Clean-Up/Clean Water

- \$6 billion is directed towards environmental cleanup of former weapon production and energy research sites.
- \$6 billion for local clean and drinking water infrastructure improvements
- \$1.2 billion for EPA's nationwide environmental cleanup programs, including Superfund

Science (\$6.8 billion for NASA, NSF, and other agencies)

State Fiscal Relief and Medicaid

- The bill increases FMAP funding for a 27-month period beginning 10/1/2008 through 12/31/2010, with an across-the-board increase to all states of 6.2% and a similar increase for territories. (\$87 billion)
- **State Fiscal Stabilization Fund (\$53.6 billion)**, including
 - \$39.5 billion to local school districts using existing funding formulas, which can be used for preventing cutbacks, preventing layoffs, school modernization, or other purposes;
 - \$5 billion to states as bonus grants for meeting key performance measures in education; and
 - \$8.8 billion to states for high priority needs such as public safety and other critical services, which may include education and for modernization, renovation and repairs of public school facilities and institutions of higher education facilities.

Investments in Education and Training include

- **\$13 billion for Title 1** to help close the achievement gap and enable disadvantaged students to reach their potential.
- **\$12.2 billion for Special Education/IDEA** to improve educational outcomes for disabled children.
- **\$15.6 billion to increase the maximum Pell Grant by \$500.**
- **\$3.95 billion for job training** including State formula grants for adult, dislocated worker, and youth programs (including \$1.2 billion to create up to one million summer jobs for youth).

Help for Workers and Families Hardest Hit by the Economic Crisis includes (\$43.7 billion)

- **\$19.9 billion for additional Supplemental Nutrition Assistance Program (SNAP)**, formerly Food Stamps, to increase the benefit by 13.6%.
- **Child Care Development Block Grant:** \$2 billion
- **Head Start & Early Head Start:** \$2.1 billion

State and Local Law Enforcement: \$4 billion

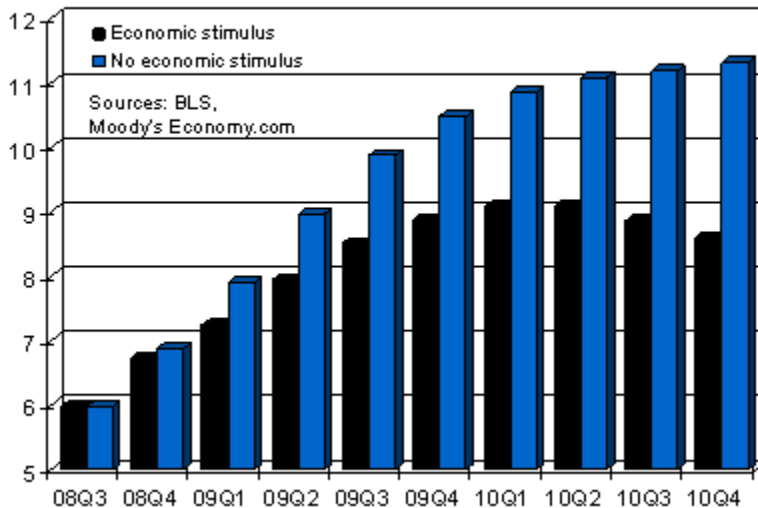
Forecasts and Predictions of the Stimulus Impact

Wall Street Journal Survey of 54 Economists for 2009-2010 (Survey conducted in Feb. 2009):

- 44% characterize the stimulus package as about right in size, 31% characterize it as too large, and 24% characterize it as too small.
- Real GDP Growth: negative for first two quarters of 2009, less than one percentage positive growth in Q3 and about 2% positive growth in Q4.
- Unemployment rate of 8.3% in June 2009 and 8.8% in December 2009
- Average non-farm payroll job **losses** of 206,000 jobs per month without a stimulus and 182,600 per month with stimulus in 2009. In other words the stimulus is expected to add about 23,400 jobs a month.
- 63% predict that the economy will have hit the bottom of the recession cycle by the end of 2009; 12% predict that won't occur until 2010.

Mark Zandi, Moody's Economy, Inc.

Chart 7: Fiscal Stimulus Makes a Significant Difference
Unemployment rate



- Since his first analysis of the House version of the bill, Zandi has revised his estimate of about 3.5 million jobs added by the stimulus down to between 2 and 2.5 million jobs.
- His argument is that the final bill is too small and will require additional requests by the President.
- He estimates that the peak unemployment rate will be between 9.5 and 10% but that by the end of 2010 the rate will be down to about 9%.
- Source: Fox News, interview by Chris Wallace of Mark Zandi, February 15, 2009. (<http://www.foxnews.com/story/0,2933,493685,00.html>)

Don Ratajchak, Morgan Keegan