

# A NEW DIRECTION FOR ECONOMIC RECOVERY

## TAX CUTS FOR AMERICA

**“Federal taxes are very considerably lower by every measure since Obama became president.”  
- Bruce Bartlett, Reagan Domestic Policy Advisor**

### MESSAGE:

Congress and the President have worked together to enact an array of broad-based tax cuts for working and middle-class families and small business owners—ending an era of Republican tax breaks focused only on the wealthy. These tax cuts are injecting consumer demand into the economy and spurring job creation.

- **All totaled, Congress has enacted more than \$800 billion in tax cuts**, with another \$285 billion making their way through Congress, such as permanent estate tax relief and the R& D tax credit to spur business innovation.
- **Many of these tax cuts are immediate** with more than half of the Recovery Act tax cuts already in the hands of American families and businesses and \$40 billion in tax credits for 4 million small businesses offering health care coverage to their employees starting this year.
- **Over one-third of the Recovery Act is tax cuts for the middle class.**
- **The Recovery Act contains 25 tax cuts for Americans**, including the fastest – and one of the most widely shared – tax cuts in American history: the Making Work Pay Tax Cut in the Recovery Act. The Recovery Act also gives you a tax cut for making your home more energy efficient, buying a home, buying a car, or sending a child to college.
- The result of the Recovery Act is that **tax refunds are already up 10 percent, pushing the average refund up to a record \$3,000 per taxpayer.**
- Congress has also enacted **job-creating tax incentives** -- to spur hiring of out-of-work Americans, strengthen small businesses with tax credits and accelerated write-offs so they can expand and hire, and expand the tax cut for first-time homebuyers -- and **the largest health care tax cut in history**, with enactment of health insurance reform.

# AMERICAN RECOVERY AND REINVESTMENT ACT

[Click here for state by state numbers on Recovery Act tax cuts from the House Ways and Means Committee](#)>>

## Tax Cuts for American Families (\$232 billion over 10 years):

- **Making Work Pay Tax Cut:** Provides immediate and sustained tax relief to about 95 percent of American workers and their families through the Making Work Pay tax credit, a refundable tax credit of up to \$400 per worker (\$800 per couple filing jointly), phasing out completely at \$190,000 for couples filing jointly and \$95,000 for single filers in 2009 and 2010.
  - The credit provides over 110 million working families—about 95%—the tax relief they need right now and is being distributed largely by reducing tax withholding from workers' paychecks beginning April 1, 2009.
  - As President Obama pointed out "*Never before in our history has a tax cut taken effect faster or gone to so many hardworking Americans.*" 2/21/09 [Please [click here](#) for district-by-district numbers from the Ways and Means Committee.]
- **Child Tax Credit:** Cuts taxes for the families of more than 16 million children through an expansion of the child tax credit. This provides a new tax cut for more than 6 million children, and increases the existing credit for more than 10 million children.
- **Earned Income Tax Credit:** Expands the Earned Income Tax Credit by providing tax relief to families with three or more children and increasing marriage penalty relief.
- **American Opportunity College Tax Credit:** Helps more than 4 million additional students attend college with a new, \$2,500 tax credit for families, which is partially refundable. As a result, the nearly one-fifth of high school seniors who currently receive no tax credit will receive a tax cut to make college affordable for the first time. These tax credits phase out completely at \$90,000 for individuals and \$180,000 for couples filing jointly.
- **Alternative Minimum Tax Relief:** Protects 26 million middle-class families from being hit by the alternative minimum tax.
- **First-Time Homebuyers:** Strengthens the housing market by enhancing the current first-time homebuyer tax credit by increasing it to \$8,000 (up from \$7,500) and by removing the repayment requirement. This tax credit has been credited with bringing greater stability to the housing market. [[Click here for state by state data on households taking advantage of the first-time homebuyers' tax credit.](#)]
- **Incentives to Buy New Cars:** Provides a tax deduction for state and local sales taxes and excise taxes paid on the purchase of new cars, including light trucks and motor homes.

## Business Tax Incentives to Create Jobs (\$10 billion over 10 years) supported by the Chamber of Commerce and National Association of Manufacturers:

- **Bonus Depreciation:** Helps businesses quickly recover costs of new capital investments by extending the increased bonus depreciation for businesses making investments in new plants and equipment in 2009.
- **Small Business Expensing:** Spurs small business investment by extending small business expensing, doubling the amount small businesses can immediately write off their taxes for capital investments and purchases of new equipment made in 2009 (\$125,000 to \$250,000). This write-off phases out completely for investments over \$800,000 (up from \$500,000).
- **Buying Back Debt:** Provides assistance to companies looking to reduce their debt burdens by delaying the tax on businesses that have discharged indebtedness, which will help these companies strengthen their balance sheets so they can invest in job creation.
- **Small Business Loss Carrybacks:** Increases cash flow for small businesses by providing a 5-year carryback of net operating losses (NOLs). This would allow many small businesses to write off losses incurred in 2008 against taxes assessed over the previous 5 years (current law limits NOL carryback to the previous 2 years), thereby reducing their taxes this spring.

- **Small Business Investment:** Spurs investments in small businesses by cutting the capital gains tax on investors in small businesses who buy stock (in the next two years) and hold it for more than 5 years.
- **Jobs for Recently Discharged Unemployed Veterans and Disconnected Youth:** Creates jobs with business tax credits for hiring recently discharged unemployed veterans who have been out of work or youth who have been out of school for 6 months prior to hire.

### **Renewable Energy and Energy Efficiency Tax Incentives to Spur Energy Savings and Create Jobs (\$20 billion over 10 years):**

- **Energy Efficient Home Tax Credits:** Promotes energy efficient investments in homes by extending and expanding tax credits through 2010 for investments such as new furnaces, energy-efficient windows and doors, and insulation. Increases the credit from 10 percent to 30 percent of the cost of the investment and raises the credit cap from \$500 to \$1,500, saving American families money on their energy bills.
- **Plug-in Hybrid Tax Credit:** Spurs the next generation of cars by providing a tax credit of up to \$7,500 for families who purchase plug-in hybrid and all-electric vehicles.
- **Tax Credit for Renewable Energy:** Extends for three years the production tax credit (PTC) for electricity derived from wind (through 2012) and for electricity derived from biomass, geothermal, hydropower, landfill gas, and waste-to-energy facilities (through 2013).
- **Easing Credit Crunch for Renewable Energy:** Provides grants of up to 30% of the cost of building a new renewable energy facility in 2009 and 2010 in lieu of current law tax credits, or permits facilities to claim a 30% investment tax credit instead of a production tax credit, to address the current credit crunch for investments in renewable energy.

**Tax Incentives for State and Local Job Creation (\$26 billion over 10 years)** for critical activities like school construction, low-income housing, and infrastructure development – particularly in area hardest hit by the recession.

## OTHER KEY TAX MEASURES

### **HEALTH INSURANCE REFORM -- LARGEST HEALTH CARE TAX CUT IN HISTORY (OVER \$500 BILLION)**

- Contains the largest middle-class tax cut for health care in history, providing 40 million middle class families with incomes up to \$88,000 for a family of four with tax credits to help pay for health care coverage in the exchange. For a family of four making \$50,000, the average tax credit will be approximately \$5,800.
- Provides \$40 billion in tax credits for 4 million small businesses to help them offer coverage to their employees if they choose, starting this year. These sliding-scale credits will start at 35% of premiums this year and rise up to 50% of premiums in 2014. An estimated 60% of America's businesses will qualify for these small business tax credits—helping small businesses with fewer than 25 employees and average annual wages of less than \$50,000 that purchase health insurance for employees. *(Signed into Law)*

### **HIRING INCENTIVES TO RESTORE EMPLOYMENT (HIRE) ACT**, a bipartisan bill to

- Create some 300,000 jobs with a payroll tax holiday for businesses that hire unemployed workers and an income tax credit of \$1,000 for businesses that retain these employees
- Unleash tens of billions of dollars to rebuild our infrastructure and
- Strengthen small businesses with tax credits and accelerated write-offs so they can expand and hire. *(Signed into Law)*

### **WORKER, HOMEOWNERSHIP & BUSINESS ASSISTANCE ACT**

- Extends the 1st-time homebuyer tax credit for purchases through April 30, and expands it to more families – phasing out for joint filers with income about \$225,000 (up from \$150,000 under the Recovery Act)
- Enhances small business tax relief, allowing them to carry back net operating losses from 2009
- Allows businesses to use net operating losses from 2008 or 2009 to offset profits from five previous years, up from two years. *(Signed into Law)*

### **SMALL BUSINESS AND INFRASTRUCTURE JOBS ACT**

- Extends successful Build America Bonds (BABs) that make it easier for state and local governments to rebuild schools, sewers, hospitals and transit projects, and a range of proposals to help small businesses.
- Includes tax incentives to spur investment in small businesses, long awaited small business tax penalty relief, and a larger tax deduction for start-up expenditures. *(Passed by House)*

**TAX EXTENDERS ACT**, to extend the R&D tax credit for American companies that invest in innovative jobs and deductions for millions of parents, teachers, and families for college tuition, classroom expenses, and state and local sales and property taxes. *(Passed by House and Senate)*

**PERMANENT ESTATE TAX RELIEF** at the 2009 level to ensure that 99.8 percent of estates never pay a dime of taxes and offer certainty and stability for farmers and small businesses. *(Passed by House)*

APRIL 13, 2010