

# **TAX REFUNDS UP NEARLY 10%**

## *Democratic Efforts Put More Money in the Hands of Americans*

This year, millions of American families will notice lower taxes and larger tax refunds as a result of the American Recovery and Reinvestment Act signed into law last year. The Recovery Act has already provided \$160 billion in tax relief to American families and businesses with nearly \$100 billion going directly into the pockets of working families – an average tax refund of around \$3,000, which is a 10% increase over last year. According to Bruce Bartlett, a conservative economist and economic advisor to President Reagan, “federal taxes are very considerably lower by every measure since Obama became president.” In a little more than a year since the Recovery Act was signed into law and after other measures put into place by Democrats, Americans are seeing the real benefits of Democratic tax cuts and credits during this tax season.

### **Tax Cuts & Credits: American Recovery and Reinvestment Act**

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

- ***Making Work Pay Tax Cut:*** Provides 95 percent of working families immediate and sustained tax relief – \$400 for an individual or \$800 for married couples filing jointly.
- ***Child Tax Credit:*** Cuts taxes for the families of more than 16 million children (for 6 million new and 10 million existing) by reducing the minimum amount of earned income used to calculate the tax credit to \$3,000 from \$12,550.
- ***Earned Income Tax Credit:*** Expands the Earned Income Tax Credit by increasing the tax credit for families with three or more children, bringing the maximum amount to \$5,657
- ***American Opportunity Tax Credit:*** Provides up to \$2,500 in tax credits to help an additional 4 million students attend college.
- ***Alternative Minimum Tax Relief:*** Protects 26 million middle-class families from being hit by the alternative minimum tax.
- ***First-Time Homebuyers:*** Enhances the current first-time homebuyer tax credit by increasing it to \$8,000 (up from \$7,500) and removes the repayment requirement.
- ***Incentives to Buy New Cars:*** Allows taxpayers to deduct the state and local sales taxes and excise taxes paid on the purchase of new vehicles purchased from Feb. 17, 2009 through Dec. 31, 2009.
- ***Tax Free Unemployment Benefits:*** Made the first \$2,400 of unemployment benefits (which are normally taxable) received in 2009 tax free.

#### **Business Tax Incentives to Create Jobs (\$10 billion over 10 years):**

- ***Bonus Depreciation:*** Extends the increased bonus depreciation for businesses making investments in new plants and equipment in 2009.
- ***Small Business Expensing:*** Extends small business expensing, doubling the amount small businesses can immediately write-off their taxes for capital investments and new equipment purchases made in 2009.
- ***Buying Back Debt:*** Delays the tax on businesses that have discharged indebtedness, which will help companies reduce their debt burdens 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), allowing small businesses to write off losses incurred in 2008 against taxes assessed over the previous 5 years, reducing their taxes this spring.
- ***Small Business Investment:*** Spurs investments in small businesses by cutting the capital gains tax on investors who buy stock in small businesses and hold it for more than 5 years.

- **Jobs for Recently Discharged Unemployed Veterans and Disconnected Youth:** Offers tax credits to companies that hire recently discharged unemployed veterans and young adults who have finished school and have had trouble finding work.

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

- **Tax Credit for Renewable Energy:** Extends the production tax credit (PTC) for electricity derived from wind, biomass, geothermal, hydropower, landfill gas, and waste-to-energy facilities.
- **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.
- **Energy Efficient Home Tax Credits:** Extends and expands tax credits for energy-efficiency improvements to homes, including investments in new furnaces, energy-efficient windows/doors, and insulation, saving families money on energy bills.
- **Plug-in Hybrid Tax Credit:** Provides a tax credit of up to \$7,500 for families who purchase plug-in hybrid and all-electric vehicles.

### **Tax Incentives for State and Local Job Creation (\$26 billion over 10 years):**

- Provides incentives for critical investments in school construction, low-income housing, and infrastructure development, paying special attention to areas hit hardest by the recession.

## **Tax Cuts & Credits: Other Key Democratic Measures**

### **Health Reform (the largest health care tax cut in history) – Signed into law:**

- Provides 40 million 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. A family of four making \$50,000 can expect an average tax credit of approximately \$5,800.
- Provides \$40 billion in tax credits for 4 million small businesses (an estimated 60% of American businesses) to help them offer coverage to their employees.

### **Hiring Incentives To Restore Employment (HIRE) Act – Signed into law:**

- Creates a payroll tax holiday for businesses that hire unemployed workers and an income tax credit of \$1,000 for businesses that retain these employees
- Strengthen small businesses with tax credits and accelerated write-offs so they can expand and hire.

### **Worker, Homeownership & Business Assistance Act – Signed into law:**

- Extends and expands the first-time homebuyer tax credit for purchases through April 30.
- Allows small business 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.

### **Small Business and Infrastructure Jobs Act – Passed by House:**

- Extends Build America Bonds\* that make it easier for state and local governments to rebuild schools, sewers, hospitals and transit projects, and 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.

### **Tax Extenders Act – Passed by House and Senate:**

- Extends 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.

**Permanent Estate Tax Relief – *Passed by House:***

- Ensures that 99.8% of estates never pay a dime in taxes, and offers certainty and stability for farmers and small businesses.