Recession & relief: what’s going on

IF YOU or anyone close to you has not yet felt any repercussions from the recession, count yourself lucky and do something nice for someone to keep your good karma. The bad news flooding out of Washington and Wall Street has reached Main Street, and there’s mud everywhere.

Another thing flowing out of Washington is money, much of it through the American Recovery & Reinvestment Act (ARRA) aka the stimulus package, which includes some tax relief and spending programs for transportation, environmental and broadband infrastructure projects, aid for states and energy assistance. The editors at Green Media have interviewed a wide range of green industry leaders to learn how ARRA may impact you. Their responses are currently available on our family of websites (see below).

There are benefits for individuals too. According to The Ken Blanchard Companies, 95 percent of America’s taxpayers will benefit from at least one of the tax breaks. Unlike the 2008 economic stimulus, there will not be rebate payment checks. While some of the relief will be paid this year, the majority of the relief for an average taxpayer is most likely to come next year.

Key taxpayer provisions include:
• Tax credit for workers: for 2009 and 2010 there is a “making work pay” tax credit of up to $400 for working individuals and up to $800 for couples.
• Temporary suspension of taxation on unemployment benefits: the jobless get a little more help with a $25 increase in weekly benefit checks through 2009 and suspension of federal tax on the first $2,400 of unemployment benefits received in 2009.
• Retirees and disabled individuals: those receiving Social Security benefits and individuals on disability will receive a one-time payment of $250 in 2009.
• First-time home buyer credit: increased to $8,000 for qualified first-time homebuyers purchasing homes after Dec. 31, 2008 and before Dec. 1, 2009; repayment requirement waived unless sold or no longer principal residence within 36 months.
• “American Opportunity Tax Credit” for education: an “enhanced” Hope credit applies to the first four years of college; it provides 100 percent credit for the first $2,000 and 25 percent for the next $2,000 on qualified expenses such as tuition and books; the credit is 40 percent refundable, meaning even taxpayers who have no tax liability can receive a credit for 40 percent of qualified college expenses, up to $1,000.
• 529 plans: qualified computer technology and equipment is now allowed as higher education expenses from the plan, so distributions from 529 plans to buy a computer, for example, for college will not be taxable.
• Earned Income Tax Credit: increased EITC amounts for families with three or more children and additional marriage penalty relief.
• Additional Child Tax Credit: earnings threshold is lowered to $3,000, helping more people qualify for the credit and receive more money; for 2008 the earnings threshold was $8,500.
• Vehicle purchase: state and local sales taxes paid for purchases of qualified new motor vehicles are deductible.

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From the Sidelines