

## American Recovery and Reinvestment Act

### *General Overview*

#### **American Recovery and Reinvestment Act**

The American Recovery and Reinvestment Act was signed into law on February 17, 2009. The legislation, also known as the Economic Stimulus Package, comes with a hefty price tag with unprecedented spending levels targeting \$787 billion dollars. The Obama Administration is helping Americans stay involved in the recovery plan through its website [www.recovery.gov](http://www.recovery.gov) as a way to also increase support for the use of these funds. In addition, programs funded through the American Recovery and Reinvestment Act will carry the new emblem shown to the right to indicate to taxpayers how their money is being used to help stimulate the economy.



#### **Purpose of Act**

- To preserve and create jobs, and promote economic recovery
- To assist those most impacted by the recession
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health
- To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits
- To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases

#### **Targeted Relief Highlights**

##### ***Clean, Efficient, American Energy***

The purpose of this section of the plan is to make funds available to implement projects with long-term benefits so we can improve energy efficiency and reduce dependence on foreign oil. The short-term benefit of this part of the plan involves the creation of nearly 500,000 jobs, incentives to allow homeowners to make energy efficient improvements and spur the purchase of plug-in hybrid vehicles. Some of the specific incentives include:

- Provides tax incentives for renewable energy and energy efficiency over the next 10 years.
- Promotes energy-efficient investments in homes by extending and expanding tax credits through 2010 for purchases such as new furnaces, energy-efficient windows and doors, or insulation.
- Provides a tax credit for families that purchase plug-in hybrid vehicles of up to \$7,500 to spur the next generation of American cars.

##### ***Transform our Economy with Science and Technology***

These initiatives focus on our ability to compete in the global economy by investing in basic research and development, in training students for an innovation economy and deploying new technologies into the marketplace.

##### ***Lower Health Care Costs and Ensure Broader Coverage***

Affordable and quality Health Care is a main focus of the plan, which will directly benefit various businesses and consumers. Through the changes, the federal government is looking to modernize the health care system, save billions of dollars, reduce medical errors and improve overall quality. Jobs will also be available through some of the projects that will arise through the new funding. Here are some highlights:

- Provides billions of dollars to accelerate adoption of Health Information Technology (HIT) systems by doctors and hospitals.
- Protect health care coverage for millions of Americans during this recession, by providing billions of dollars over the next two years in additional federal matching funds to help states maintain their Medicaid programs.
- Provides laid-off workers with affordable COBRA solutions by providing a 65% subsidy for COBRA premiums for up to 9 months.

### **Education for the 21<sup>st</sup> Century**

To increase productivity as well as the United States competitive edge, the federal government is investing to help states avoid teacher layoffs and other damaging education cuts, help make college more affordable and make other key education investments. Here are some of the relief highlights:

- Increase the higher education tax credit to a maximum of \$2,500 per student for four years of college.
- Increase the maximum Pell Grant by \$500, for a maximum of \$5,350 in 2009, \$5,550 in 2010 and \$5,750 in 2011.
- Allow Americans to tap 529 Plans tax free to pay for computers in 2009 and 2010.
- Add \$200 million to the College Work-Study program.

### **Modernize Roads, Bridges, Transit and Waterways**

This part of the program helps provide the funding needed so our state and local governments can implement much-needed projects to rebuild our infrastructure and clean up our air, water and land. Over a million jobs will be created as a result of these efforts.

- Pennsylvania is receiving just over \$1 billion, which includes a distribution of \$30 million for mandatory transportation enhancements, \$181 million for urban areas (population over 200,000), \$102.5 million for suburban areas (population under 200,000), \$24.2 million for rural areas (population under 5,000) and \$687 million for use in any area.
- The mandatory transportation enhancement will include projects such as sidewalk repairs, bicycle paths and beautification projects, which will all provide jobs and create long-term improvements for our communities.

### **Tax Relief and Job Creation**

More than 35 percent of the package will provide direct tax relief to 95 percent of American workers and spur investment and job growth for American businesses.

- Tax Relief for Individuals Includes:
  - Individuals get a payroll tax credit for 2009 and 2010. The new refundable tax credit is 6.2% of earned income, capped at \$400 for individuals and \$800 for couples filing jointly, and phasing out completely at \$190,000 for couples and \$95,000 for individuals.
  - Expanding the child tax credit with every dollar earned over \$3,000 and expanding the Earned Income Tax Credit by providing tax relief to families with three or more children.
  - Provides \$8,000 of tax incentives for first-time homebuyers buying before December 31, 2009 and removes the repayment requirement.
  - Provides incentives for individuals and couples to deduct a portion of the sales tax paid when purchasing new cars, light trucks, SUVs, motor homes and motorcycles between February 17, 2009 and December 31, 2009.
  - Help individuals on unemployment by allowing them to collect the first \$2,400 of unemployment benefits tax free.
- Tax Relief for Businesses Includes:
  - Extending the bonus depreciation by 50% and increasing small business expensing for businesses making capital investments in 2009.
  - Small businesses can carry back 2008 losses for five tax years instead of two as long as their average annual gross receipts are \$15 million or less between 2006 and 2008.
  - Provides tax credits to businesses for creating new jobs for unemployed veterans and youth between the ages of 16 and 26 in 2009 and 2010.

### **Help Workers and Fixed-Income Individuals Hurt by the Recession**

By extending and improving unemployment benefits and helping fixed-income individuals and families, more Americans will be able to contribute towards strengthening the economy. Some of these relief programs include:

- Extending timeframe to 33 weeks for Americans to qualify for unemployment benefits.
- Increasing amount of benefits and encouraging states to modernize systems
- Provides funding to help workers find jobs
- Provides a one-time payment of \$250 to seniors, supplemental security income recipients and veterans.

*Note: This handout was compiled on March 11, 2009 from various sources including documents on [recovery.gov](http://recovery.gov), [financialstability.gov](http://financialstability.gov) and [treasury.gov](http://treasury.gov) to help Univest employees, customers, shareholders and the communities we serve have a better understanding of the legislation. This was done only for purposes of an informational piece and should not be used as a substitute for the professional advice of a financial advisor, attorney, accountant or other qualified professional.*

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