

2009 Economic Stimulus Plan

- American Recovery and Reinvestment Act of 2009 -

The American Recovery and Reinvestment Act of 2009 includes programs to revive the economy and help Americans who are struggling to make ends meet. Economic stimulus programs that help people with limited incomes include:

- **TAX CREDITS • DIRECT PAYMENTS AND BENEFITS • HELP FOR THE UNEMPLOYED • Useful Links**



The American Recovery and Reinvestment Act of 2009 signed by President Obama on February 17, 2009, helps Americans who are struggling with rising prices, unemployment, health care, college costs, and other financial problems. The recovery program offers tax breaks for workers, families with children, college students, the unemployed, and first-time homebuyers. People who get food stamps, COBRA group health plans, unemployment, SSI, Social Security/RR, and veterans' disability/pensions also benefit from the stimulus plan.

qualifying income.

In addition, the income level at which the credit begins to phase out has increased for married working families filing jointly, regardless of the number of children. This allows more families to get the credit.

These changes affect the EIC for 2009 and 2010 tax returns. For more information about eligibility, credit amounts, and tax forms, see Earned Income Credit.

- **Child Tax Credit**

The Child Tax Credit is a federal tax credit worth up to \$1000 per child to help offset the costs of raising children. If the credit is greater than the amount of taxes owed, families may be eligible for a refund known as the Additional Child Tax Credit (ACTC). Under the new economic stimulus plan, the Additional Child Tax Credit is expanded for 2009 and 2010. More low income families will be eligible for the Additional Child Tax Credit (ACTC), and many families will get a higher refund than in 2008.

Families can get a refundable credit only if they have earnings above a specified ACTC eligibility threshold. For the 2008 tax year, families had to earn at least \$8500 to qualify for a refundable credit. In 2009 and 2010, the eligibility threshold is lowered to \$3000. Families get the credit when they file their federal income taxes.

TAX CREDITS

- **"Making Work Pay" Tax Credit**

The "Making Work Pay" tax credit is a new refundable tax credit for 2009 and 2010. The credit is worth up to \$400 (single) or \$800 (married filing jointly). The actual credit amount is 6.2% of earned income, and phases out for workers with adjusted gross incomes higher than \$75,000 (single) or \$150,000 (married filing jointly). Workers claimed as dependents by other taxpayers are not eligible.

The credit is not given out in a lump payment, but is spread out over the year. For most workers, the credit is automatically added to weekly paychecks, resulting in an increase in take-home pay. The credit was added to paychecks starting in the spring of 2009. The Making Work Pay credit is reduced by any Economic Recovery Payments you get.

You must file the Schedule M with your federal income tax return to claim this credit, unless you use Form 1040EZ. For more information and links to tax forms, see Making Work Pay Tax Credit.

- **Earned Income Tax Credit (EIC)**

The recovery package includes a temporary expansion of the Earned Income Tax Credit (EIC/EITC) for tax years 2009 and 2010. The expansion benefits working families with three or more children, and married working families filing a joint return. Families get the credit when they file their 2009 and 2010 taxes. The EIC is a refundable credit.

The earned income credit for families with three or more children used to be 40% of qualifying income, the same as for families with two children. With the expansion, the credit for families with three or more children increased to 45% of

For more information about eligibility, credit amounts, and tax forms, see Child Tax Credit and Additional Child Tax Credit.

- **First-time Homebuyer Credit**

The economic stimulus plan extends and increases the 2008 first time homebuyer refundable tax credit. First-time homebuyers who buy a home on or after January 1, 2009 and before December 1, 2009 are eligible for the credit. Homebuyers get the credit when they file their 2009 income taxes.

The maximum credit is increased to \$8000, up from the \$7500 credit in 2008. In addition, unlike the 2008 first-time homebuyer credit, the 2009 credit does not have to be repaid.

For more information, see Housing Tax Credits 2008 / 2009 / 2010.

- **American Opportunity Education Tax Credit (Hope Credit)**

The American Opportunity Education Tax Credit replaces and increases the federal Hope Credit for college tuition and other qualified expenses for the 2009 and 2010 tax years. The credit equals 100% of the first \$2000, and 25% of the next \$2000 paid during the tax year, up to a maximum of \$2500 per year. In addition to tuition and fees, allowed expenses include required books and other course materials.

The credit applies to the first four years of post-secondary education. Forty percent of the credit is refundable, meaning that low income families who do not owe taxes can get a payment of up to \$1000. The credit phases out for taxpayers with adjusted gross incomes over \$80,000 (single) or \$160,000 (married filing jointly). Taxpayers get the credit when they file their 2009 and 2010 tax returns.

For more information, see American Opportunity Education Tax Credit.

DIRECT PAYMENTS AND BENEFITS

- **Homelessness Prevention and Rapid Re-Housing Program (HPRP)**

The stimulus plan provides funding for the Homelessness Prevention and Rapid Re-Housing Program (HPRP) for three years. The HPRP offers services and financial assistance to prevent at-risk households from becoming homeless, and to help homeless families and individuals find housing and keep it.

The program targets households who only need short-term assistance to resolve their housing crisis. Financial assistance can be used for rent, security deposits, utility payments, moving and storage costs, and hotel/motel vouchers.

For more information, see HPRP.

- **Economic Recovery Payment**

The federal government gave a one-time payment of \$250 to people who get Social Security benefits, Supplemental Security Income (SSI), Railroad Retirement benefits, or veterans' disability compensation or pension benefits. The payment is not taxable and does not affect income eligibility for public assistance programs such as food stamps, TAFDC, EAEDC, or EA.

The agency in charge of benefits (for example, Social Security) gave the payment as a separate check or deposit, not included in regular monthly benefits.

For more information, see Economic Recovery Payment on the IRS web site.

- **Pell Grant Increase**

Funding for federal Pell Grants for low-income college students increased as a result of the stimulus package. The maximum Pell Grant is \$5350 for 2009-10, and \$5500 for 2010-11, up from the \$4,731 maximum for 2008-2009. The increase helps bring the grants in line with inflation.

Grant amounts are based on financial need. Most Pell Grants are given to students with family incomes of

\$30,000 or less. For more information, see Federal Pell Grant on the Federal Student Aid web site.

- **SNAP Food Stamps Benefit Increase**

SNAP food stamp maximum benefits increased by 13.6% effective April 1, 2009. All food stamp households got an increase in benefits. The minimum benefit for a one or two-person household increased to \$16.

Most food stamp households got these increases:

Household size	Increase
1	\$24
2	\$44
3	\$63
4	\$80
5	\$95
6	\$114
7	\$126
8	\$144
Each extra	+\$18

See SNAP Food Stamps: What benefits will I get? and Economic Stimulus Adjustments to SNAP for more information.

HELP FOR THE UNEMPLOYED

- **Suspension of taxation of unemployment benefits**

For tax year 2009, people getting unemployment benefits do not have to pay federal income taxes on the first \$2400 they get. Any unemployment benefits above \$2400 per person are subject to federal income tax. See [Are unemployment benefits taxable?](#)

- **Increase in unemployment benefits**

For 2009, weekly unemployment benefits increased by \$25 per recipient. See [How much will I get?](#)

- **Extension of unemployment benefits**

The initial recovery plan offered unemployed workers an additional 13 weeks of federal extended unemployment benefits, through 2009. In Massachusetts, this extension allowed workers to get 26 weeks of state benefits plus 33 weeks of federal extended benefits, for a total of 59 weeks of unemployment benefits. Subsequent extensions allow Massachusetts workers to get up to 99 weeks of unemployment benefits. See [Can I get extended benefits?](#)

- **Subsidies for COBRA health insurance coverage**

Workers who had employer group health plans but lost their jobs can get a federal subsidy to help pay the cost of COBRA continuation health coverage. The subsidy is 65% of the COBRA monthly premium, for up to 15 months, for individual or family coverage. Workers terminated from their jobs from September 1, 2008 through February 28, 2010 are eligible. To qualify for the full subsidy, annual income cannot be greater than \$125,000 (single) or \$250,000 (family).

For more information, see COBRA Subsidy.

Note: Massachusetts residents on unemployment may also qualify for an additional 80% subsidy from the Medical Security Program that can be used to further reduce premium payments.

- **Expansion of the Trade Adjustment Assistance (TAA) Program**

Workers laid off or threatened with layoffs because of foreign competition can get income support, training funds, job search and relocation allowances, case management and reemployment services, and a health coverage tax credit (HCTC) from the TAA program.

The recovery plan increased TAA benefits to include more categories of workers, greater income support, increased job search and relocation allowances, more than double the funds for training programs, and a higher HCTC.

For more information, see Trade Adjustment Assistance Program.

Useful links

These links are external links to web sites that are not part of MassResources.org. When you click on these links, you will leave our site. Click "Back" on your browser to return.

1. American Recovery and Reinvestment Act of 2009
Text of the economic stimulus act as signed by the President on February 17, 2009. From the United States Government Printing Office.
http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf
2. Summary of the American Recovery and Reinvestment Act of 2009
Full summary of the provisions of the 2009 economic stimulus package. From the Senate Finance, and House Ways & Means Committees.
<http://finance.senate.gov/press/Bpress/2009press/prb021209.pdf>
3. Tax Provisions in the American Recovery and Reinvestment Act of 2009
Information about the Making Work Pay tax credit, the Economic Recovery Payment, and other tax-related provisions of the 2009 economic stimulus plan. From the Internal Revenue Service.
<http://www.irs.gov/newsroom/article/0,,id=204335,00.html>
4. Economic Recovery Watch
Impact of the economic stimulus plan on low and moderate income Americans. From the Center on Budget and Policy Priorities.
<http://www.cbpp.org/pubs/stimulus.htm>
5. Tax Stimulus Report Card
An analysis of the key tax provisions of the economic stimulus package, with an emphasis on how effective each provision is likely to be in boosting the economy. From the Tax Policy Center of the Urban Institute and Brookings Institution.
http://www.taxpolicycenter.org/taxtopics/conference_stimulus.cfm
6. Selected Stimulus Provisions - Massachusetts Impacts and Advocacy Opportunities
Chart outlining the impact of the American Recovery and Reinvestment Act on benefit programs affecting Massachusetts residents. From the Massachusetts Law Reform Institute.
http://www.masslegalservices.org/docs/ARRA_chart.pdf

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