

\$787 Billion – Stimulus Plan
Valerie J. Holcomb

I am disappointed and I believe you will be too: Why? It is all in the details.

I have read a minimum of 25 – 30 articles over the weekend, from News Week to the Wall Street Journal with a goal to be able to give you a full accounting of this enormous 1,071 – page bill today. And I came to the conclusion that “THIS RESCUE PLAN FOCUSES ON GOVERNMENT SPENDING NOT ON AIDING HURTING AMERICAN FAMILIES.”

President Obama’s, “Making Work Pay tax credit” is \$116 billion over two years, less than \$20 billion will be disbursed in fiscal 2009 the Joint Committee on Taxation has projected.

The lowest wage earners will get virtually *nothing* for another year. “These credits will not provide much upfront cash for consumers,” wrote Morgan Stanley economists, Richard Berner and David Greenlaw.

The “Make Work Pay” credit was trimmed to \$400 per worker, or \$800 per working couples, from the earlier bills’ \$500 payout, or \$1,000 per couple and starts to phase out for single taxpayers with an adjusted gross income of \$75,000 and is completely unavailable to single filers earning more than \$95,000. For married-filing-jointly taxpayers, the phase out begins at income of \$150,000 and the tax credit is unavailable for those with income topping \$290,000.

Workers will not have to take action to receive the tax credit – it will show up in their paychecks, based on adjusted withholding table’s issues by the IRS and incorporated by payroll departments. Obviously, if you do not take the adjustment you could use it to get a larger refund next year.

For individuals, a \$15,000 tax credit for anyone who bought a home in 2009 is now an \$8,000 credit *solely* for first-time home buyers. The Senate tried unsuccessfully to insert a measure into the stimulus bill that would have had the government help refinance all mortgages of creditworthy borrowers at a 4% to 5% rate.

Also, a credit for people who buy a car has been trimmed down. An earlier Senate version of the bill created a deduction for interest paid on car loans plus state sales taxes paid on new car purchases. The current version of the compromise bill offers solely a deduction on the sales tax paid, not auto-loan interest. From now until the end of 2009 any one will be able to deduct all state and local taxes from the purchase of a new motorcycle so long as the purchaser makes less than \$125,000 a year as a single tax filer or \$250,000 for those filing jointly. The deduction is limited to a car, light truck or motorcycle, and a gross vehicle curb weight of less than 8,500 lbs.

This is what is known as an "above the line deduction" which means all taxpayers are eligible whether the purchaser itemizes other deductions or not.

An expanded education credit appears safe in the compromise bill. It makes the Hope credit worth up to \$2,500 and good for four years of college costs (instead of the current limit of two). This expanded credit is available for two years.

The credit phases out when adjusted gross income hits \$80,000 for single filers or \$160,000 for joint filers.

If you're a lower-income taxpayer, you may benefit from the expanded child tax credit. This refundable credit, worth up to \$1,000 per child, now starts kicking in on income of \$3,000 and up and they also get the benefit of an expanded earned income tax credit.

Business perk removed: A valuable tax break allowing businesses to use net operating losses to reduce tax bills from prior years has been sharply curtailed: Only businesses with revenue of \$5 million or less will be eligible.

Under earlier House and Senate plans, a net operating loss carry-back tax break allowed companies of all sizes to use existing losses to offset taxes paid on profits in the previous five years, up from two years under current law. This restriction of that tax break is a big hit to many hurting businesses. The important thing about this is...it's cash they could of got back very, very rapidly to invest back into their firms.

The Congress did extend the Section 179 expense deduction and the bonus depreciation provisions that were put in the 2008 stimulus bill for another year.

“So you see that we (the average working folk) won't see much of a direct stimulus . . . a first time home buyer credit? Prospective, young first time home buyers most likely will not be able to come up with the 20% down payment the Banks are now mandating!

A new car credit? How many people do you think are willing to spend their hard earned money (or qualify for a loan) to buy a new car or motorcycle in this economy? They are too worried about losing their jobs or homes . . . it doesn't make sense to spend your cash just to get a less than 100% tax credit now does it?

Hang on to your hats my friends and watch for ECONOMIC RESCUE STIMULUS PACKAGE II later in the year.”

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