

## Stimulus 2009: Something for Nearly Everyone

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### **95 Percent of Workers to Benefit -- but They Will Need to Know How to Take Advantage of Tax Cuts**

KANSAS CITY, MO, Feb 16, 2009 (MARKET WIRE via COMTEX) -- Millions of taxpayers will take home more money from the almost \$790 billion American Recovery and Reinvestment Act expected to be signed into law early this week, but most provisions won't happen automatically.

"The Recovery Act gives taxpayers money to spend, incentives to spend it and choices to spend it on," said Amy McAnarney, executive director of The Tax Institute at H&R Block (NYSE: HRB). "There are provisions that pay you now and some that pay you later. But for most individuals, this isn't a check-is-in-the-mail stimulus. Taxpayers will need to have guidance to maximize the benefit."

H&R Block notes five key areas that impact individual taxpayers today and in the future:

- Putting money in taxpayers' pockets now
- Helping more of those who have less
- Making homeownership more affordable
- Increasing access to higher education
- Getting green from the garage

Review chart with the breakdown of taxpayer benefits.

"Taxpayers want to know how this Recovery Act affects them so they can get all the credits and deductions they're due," McAnarney said. "The Tax Institute recommends consulting with a trusted tax professional to help decipher the complex changes and what they mean to each individual."

Review complete Recovery Act FAQ.

Putting money in taxpayers' pockets now

The bill includes several provisions that immediately boost the wallets of workers, non-workers, the unemployed and retirees. For both 2009 and 2010, the Making Work Pay tax cut means up to \$400 for individuals and \$800 for couples through a reduction in income tax withholding; in other words, bigger paychecks. Eligible workers may need to work with their employers to ensure any adjusted income tax withholding is appropriate for their situation. For example, if all working taxpayers are automatically transferred to the new reduced withholding amounts, certain taxpayers may actually owe more taxes when they file their 2009 and 2010 returns.

"Knowing your tax situation is extremely important in instances like this," said McAnarney. "How and when this credit is actually going to be administered is still unclear."

Eligible self-employed taxpayers can adjust their quarterly estimated payments. For those taxpayers who do not receive the full amount this year, they will receive the remaining as a credit on next year's tax return.

Social Security and SSI recipients, retired and disabled veterans, and railroad retirees will get a one-time payment of \$250. The Social Security Administration and Veterans Administration will provide the information about who qualifies for this payment, so eligible individuals won't have to do anything. Individuals on a federal or state retirement program who don't receive Social Security benefits can claim a \$250 credit when they file their 2009 tax returns.

"However, there's no double-dipping," said McAnarney. "Taxpayers who qualify for both the Making Work Pay Credit and the \$250 payment can't get the full amount of both benefits." In these cases, the Making Work Pay Credit will be reduced by \$250.

The Act has several benefits for the unemployed. Many will receive a \$25 weekly boost to their unemployment check. In addition,

the first \$2,400 in benefits will be exempt from federal tax in 2009. Eligible unemployed workers paying for COBRA will benefit from a 65 percent federal subsidy for their monthly insurance premiums.

#### Helping more of those who have less

The Recovery Act expands the Child Tax Credit, allowing families to begin qualifying for the credit with every dollar earned over \$3,000. For taxpayers, this change translates into a refundable credit of up to \$1,000 for each qualifying child under 17. Refundable credits give taxpayers a real boost because if the person has no tax liability, the credit is issued in the form of a refund.

This is the second year in a row the income threshold has been lowered. For 2008, it was lowered to \$8,500 from \$11,750.

The Act also increases the Earned Income Credit for families with three or more children, where previously EIC benefits were capped at two children. The Act would also increase the beginning point of the phaseout range for all married couples filing a joint return. That's good news for married couples regardless of the number of children they have.

#### Making homeownership more affordable

Taxpayers on the fence about buying their first home may want to consider the Act's \$8,000 tax credit.

Unlike the incentive passed last year, first-time homebuyers will not have to repay the credit as long as they live in the house for three years. To qualify, eligible homebuyers must make their purchase between Jan. 1, 2009, through Nov. 30, 2009. Taxpayers who have purchased a home this year can take advantage of this credit on their 2008 return. For those who have already filed, filing an amendment is the best way to capture this full credit on their 2008 tax return.

The plan also includes tax credits for energy-efficient improvements such as qualified new furnaces, windows and doors to existing homes. The credit applies to 2009 and 2010 tax returns, with a lifetime cap of \$1,500.

#### Increasing access to higher education

More taxpayers will be able to qualify for the American Opportunity Tax Credit, which will provide a new, partly refundable \$2,500 tax credit for college tuition in 2009 and 2010. By making the credit partially refundable, nearly 4 million low-income students now will be able to qualify for the credit. This can be a better alternative for taxpayers than the two existing higher education credits.

Also, computer and computer technology costs will now qualify in 2009 and 2010 under the Section 529 Education Plans, which are tax-exempt college saving plans. Previously, eligible expenses included only tuition, room and board, and books, supplies and equipment that were required for attendance at the school.

#### Getting green from the garage

The package allows taxpayers to deduct the state and local sales and excise taxes paid on the purchase of new cars, light trucks, recreational vehicles and motorcycles. The vehicles must be purchased from the enactment date of the Act through the end of the year.

The Act also provides a tax credit of up to \$7,500 for families who purchase plug-in hybrid vehicles purchased after 2009 or plug-in conversion after date of enactment and before 2012. Even those taxpayers who don't itemize can benefit from this.

H&R Block will provide ongoing information about the Recovery Act on [www.digits.hrblock.com](http://www.digits.hrblock.com).

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