

President Signs Stimulus Measure into Law: 02/13/08

Rebate Checks set to Mail Starting in May

Rebate checks (or direct deposits) will be coming to taxpayers beginning this May for all those having filed their 2007 federal income tax return by April 15, 2008.

Here are the key provisions:

- **You must file a tax return (even if you have no tax liability) in order to qualify**
- **If you file after April 15th and before October 15th you are still eligible for a rebate, however, you will receive it after you file your return.**

BASIC CREDIT

- **Minimum Rebates: \$300 Single/\$600 Married**
Taxpayers will receive this amount if they have at least \$1 in tax liability or \$3,000 in qualifying income defined as the sum of net earned income, Social Security benefits, and certain veteran's benefits.
- **Maximum Amounts—\$600 Single/\$1,200 Married**
Tax payers will qualify for up to these amounts subject to the minimum of their tax liability or 10% of the first \$6,000 of taxable income (\$12,000 if married).

Additional Child Credit

If you qualify for the minimum credit you will receive an additional \$300 for every dependent child who was under the age of 17 as of 12/31/2007.

Phase Out

The Basic and Child Credits are phased out at a rate of 5% of adjusted gross income in excess of \$75,000 Single and \$150,000 Married.

Second Chance

After 2008, those who missed out on the rebate or received only a partial rebate get a second shot at qualifying when they file their 2008 return. They will receive the greater of the amount calculated for their 2007 return or 2008 return.

NOTE: If a tax payer would have received a smaller amount based on their 2008 return than their 2007, they will not be required to return the difference.

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BUSINESS TAX PROVISIONS

The bill retains tax relief for American businesses, in the form of enhanced expensing and depreciation provisions for businesses buying equipment and placing it into service this year. This tax relief will encourage businesses to buy what they need to grow – and the requirement for investment this year will achieve the stimulus bill’s goal of injecting money into the economy right away.

Elective Expensing (Section 179). In lieu of depreciation, small business taxpayers may elect to expense the cost of qualified assets (property) they purchase in the year when the assets are placed in service, within certain limits. Under section 179, small business taxpayers are allowed to expense \$125,000 (indexed for inflation), and the phase-out threshold is \$500,000 (indexed for inflation). Currently in 2008, the expensing limit is \$128,000 and the phase-out threshold is 510,000. The measure increases the expensing limit to \$250,000 and the phase-out to \$800,000 for 2008. The measure is effective for taxable year 2008. This package is expected to cost \$900 million in 2008 and \$100 million over ten years.

Bonus Depreciation. Generally a trade or business must recover the cost of property over a predetermined period of years. This bill will allow a trade or business to depreciate an additional 50 percent of the cost of an asset acquired and placed into service in 2008 in that year. The types of property eligible for bonus depreciation will be the same as those included in the previous depreciation packages: (1) tangible property that had a recovery period not exceeding 20 years; (2) purchased computer software; (3) water utility property; and (4) qualified leasehold improvement property¹. The bonus depreciation will be allowed under the alternative minimum tax (AMT). The measure is effective for calendar year 2008 beginning after the date of first Committee action. This package is expected to cost \$43.9 billion in 2008, and \$7.4 billion over ten years.

¹ Qualified leasehold improvement property includes an improvement to an interior part of a building that is nonresidential real property and that meets the following requirements

- 1) The improvement is made under a lease by the lessee or the lesser of the part of the building
- 2) That part of the building is to be occupied exclusively by the lessee, and
- 3) The improvement is placed in service more than three years after the date the building was first placed in service.

Nonqualified improvements

- 1) The enlargement of the building
- 2) An elevator or escalator
- 3) Any structural component benefiting a common area
- 4) The internal structural framework of the building