

# SPAIN HASTINGS

SPAIN HASTINGS WARD CAREY & CHAMBERS



## **Client Update: American Recovery and Reinvestment Act of 2009 Becomes Law**

*February 17, 2009*

President Obama wasted no time signing a 1,073 page Economic Stimulus bill into law today. The House and Senate had approved the economic-recovery legislation late last week. The stimulus package is intended to create jobs and revive the economy which has shed more than 3.6 million jobs since December 2007.

The stimulus package is a blend of federal spending and tax cuts. About a third of the package is devoted to tax cuts for business and individuals, including a \$400 payroll-tax credit for workers and expanded child tax credit. The law offers new incentives for auto purchases and first-time homebuyers. Federal spending accounts for the remainder of the \$787 billion plan.\*

**Tax Provisions.** According to the Joint Committee on Taxation, the law provides a total of \$232 billion in tax relief for individuals and families, \$20 billion in energy tax incentives, and \$13.5 billion in business tax relief over 10 years. Among the most significant tax provisions for businesses are an increase in the carryback period for net operating losses from two years to five years (for companies with less than \$15 million in annual receipts), an extension of bonus depreciation and Section 179 Small Business Expense deductions, and increases to existing energy tax incentives.

### ***Who Stands to Gain from the Stimulus Package***

**Construction & Infrastructure.** According to the Associated General Contractors of America, approximately \$150 billion is being allocated to the construction of new schools, roads and other infrastructure projects. The group estimates that the federal stimulus spending could create or save 1.85 million jobs, including approximately 640,000 in construction and 300,000 among suppliers and equipment manufacturers.

**Technology Companies.** The new law allocates \$7 billion to expand broadband access in areas with limited internet access. The federal spending on technology will likely benefit equipment manufacturers, as well as cable and phone companies.

**Healthcare.** The stimulus law has earmarked almost \$90 billion for healthcare spending to provide more medical care and modernize technology. The healthcare sector remains comparatively stable. Although the US economy shed more than 2.5 million jobs in 2008, healthcare actually enjoyed net job growth. The relative stability of the healthcare industry compared to other sectors seems to be garnering the attention of private equity investors.

**Health Information Technology.** In a related area, the stimulus package allocates \$19 billion for health information technology to digitize health records and establish privacy and data standards.

### ***Who Got Less than Expected***

**Homebuyers & Homebuilders.** The final Senate bill downsized the proposed \$15,000 tax credit for new homebuyers to \$8,000. Still, the \$8,000 tax credit is an increase from the existing \$7,500 tax credit for first-time homebuyers. In addition, homeowners who add energy-efficient windows, furnaces and air conditioners may qualify for a tax credit to cover 30 percent of the costs up to a total of \$1,500.

*\*The information contained herein is based on published reports which summarize the 1,073 page bill approved by the House and Senate last week and signed into law by President Obama on February 16, 2009. Look for future client alerts to provide more details and insights about tax and business planning opportunities related to the Economic Stimulus plan.*

**Contact Us.** If you have questions or comments about this Client Update, please reply to [dmccullough@spain-law.com](mailto:dmccullough@spain-law.com).

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