

Help for Individuals, Families and Small Businesses

A Resource Guide to H.R. 1, the American
Recovery and Reinvestment Act

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**Prepared by the Office of Congressman Mike Michaud
Representing Maine's Second Congressional District**

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Dear Fellow Mainer:

With the President's signature, the stimulus package is now law. There was a healthy back and forth and some serious debate and consideration about what should and shouldn't be in the package. In my view, the final product was not perfect. But it was a necessary step to jumpstart our economy. I compiled this resource guide to help describe the benefits to you and your family as well as the many small businesses of our state.

The bill contained a number of very important investments for Maine that will help create and retain jobs. The package extends unemployment benefits and increases food stamps. These are investments that I strongly support. These programs deliver help to those who most need it. They also stimulate the economy because beneficiaries will quickly spend the additional funds. In fact, for every dollar spent on unemployment insurance benefits, \$1.63 in economic activity is generated, and for food stamps it is \$1.73 for each dollar invested. The investments in unemployment benefits alone will help over 70,000 Mainers.

The bill also invests \$174 million in Maine's infrastructure, which will create jobs quickly and improve our state's roads and bridges. An investment of \$195 million will go to Maine for school repairs and other important state priorities. While I believe that there should have been more investments like these in the package, the combination of targeted investments and tax incentives is a step in the right direction.

Moving forward it's important to continue to make smart budget choices so that we invest in an economic recovery that is sustainable.

We need to continue to invest in small businesses and continue the gains made in the stimulus bill. We must also continue to invest in education. The stimulus bill invests in energy infrastructure and development that will help us to reduce our dependence on foreign oil and create jobs. These types of investments need to be coupled with future commitments to addressing our nation's energy needs. That's why I am continuing to push a bill that would provide tax incentives that would help manufacturers convert to biomass power. This will help create and maintain jobs while at the same time promoting a more sustainable, locally-produced energy source.

We also need to follow up on the transportation and infrastructure investments made in the bill. As a member of the House Transportation and Infrastructure Committee, I will be working with my fellow committee members in writing the next multi-year reauthorization of our transportation programs. I am hopeful that we can fix our state's truck weight problem. I am also working to ensure that Maine receives a level of transportation funding that will allow for substantial improvements, rather than simply maintaining our current infrastructure.

We must also not lose sight of the need to address our growing health care crisis. Unfortunately, health care costs continue to spiral out of control. This is a huge burden on small businesses, and has been cited as a major cause for the slow job recovery nationwide. I believe that we must get a handle on this problem and take steps at the national level to lower costs, promote access, and push for full coverage.

The road to recovery may be a long one, but as a country we must move forward. We must fight to preserve the jobs that we have while we seek out new opportunities to put Mainers to work. The stimulus package is a first step, but so much more remains to be done. Please contact any of my offices if I can be of help with the provisions that I have outlined in this report.

Sincerely,



Mike Michaud
Member of Congress

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Help for Individuals and Families

“Making Work Pay” Tax Credit

Working Maine residents are eligible for a refundable tax credit of \$400 for individuals and \$800 for couples filing jointly in 2009 and 2010. It is important to note that this tax benefit is a credit. The previous economic stimulus was paid out through rebate checks. That is not the case here. For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes in early spring. These changes may result in an increase in take-home pay. Taxpayers who do not have taxes withheld by an employer during the year can also claim the credit on their tax return.

How to Apply: Taxpayers will receive this benefit through a reduction in the amount of income tax withheld from their paychecks. Taxpayers may consult with their employer and visit www.irs.gov for more information.

Sales Tax Deduction for Vehicle Purchases

The Recovery Act provides all taxpayers with a deduction for state and local sales and excise taxes paid on new cars, light trucks, recreational vehicles, and motorcycles for vehicles purchased after February 16, 2009 through the end of the year. The deduction is limited to the first \$49,500 of the vehicle's purchase price and is phased out for buyers whose incomes exceed \$125,000 for individuals and \$250,000 for couples filing jointly. The deduction is an “above-the-line” deduction – that is, even those who do not itemize their deductions can claim this deduction.

Enhanced First-Time Home Buyer Tax Credit

The Recovery Act enhances the first-time home buyer credit by increasing it to \$8,000 (from \$7,500) and by removing the repayment requirement (the credit in effect in 2008 required that the tax credit be repaid over a 15-year period, effectively turning it into an interest-free loan). Specifically, under the Recovery Act, first-time home buyers who purchase a home between January 1, 2009 and November 30, 2009 can qualify for a tax credit of up to \$8,000, or 10 percent of the purchase price. (Home buyers will have to pay the credit back if they sell the home within three years or it stops being their principal residence during that time.) The credit starts to phase out for buyers with incomes above \$75,000 for individuals and \$150,000 for married couples.

How to Apply: Families eligible for the enhanced first-time home buyer credit that purchase homes after April 15, 2009 may receive the credit when they file their 2009 tax returns in 2010, or they may amend their 2008 returns and claim it this year.

College Tax Credit – “American Opportunity Tax Credit”

The Recovery Act replaces the Hope Scholarship credit (up to \$1,800) with a new credit – the American Opportunity Tax Credit. The new \$2,500 American Opportunity Tax Credit is available for both this year and in 2010. The credit covers up to the first \$2,000 in eligible expenses for attending college, such as tuition, fees and books, and then 25 percent of the next \$2,000 in eligible expenses. The new credit also is 40 percent refundable, which means taxpayers who have little or no tax liability will still benefit from the credit. As a result, more than 4 million low-income students who had not had any access to higher education tax credits in the past, will be able to use this credit. In addition, the income limits for the new credit are higher, phasing out for incomes above \$80,000 for individuals and \$160,000 for couples filing jointly, up from \$50,000 and \$100,000 under the Hope credit.

How to Apply: Families may claim the American Opportunity Tax Credit when they file their 2009 tax returns in 2010 (and when they file their 2010 tax returns in 2011). For more information on the American Opportunity Tax Credit, visit <http://www.irs.gov/newsroom/article/0,,id=205674,00.html>

Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits

The Recovery Act provides a payment of \$250 to Social Security recipients, SSI recipients, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the Department of Veterans Affairs. (This one-time payment is designed to reach individuals who are not likely to benefit from the Making Work Pay tax credit.) This payment will be tax-free and it will not count toward income that would reduce other federal benefits such as Medicaid or Food Stamps. It is estimated that these payments will inject more than \$13 billion into the economy. On March 26, Vice President Joe Biden and Michael Astrue, Commissioner of Social Security, announced that the \$250 payments going to people who receive Social Security and Supplemental Security Income (SSI) benefits will begin to go out in early May and continue throughout the month. Individuals getting Social Security and SSI should not contact the agency unless a payment is not received by June 4. The payments for disabled veterans and for Railroad Retirement beneficiaries will also hopefully go out in the next couple of months.

How to Apply: There is no need to apply for this payment – beneficiaries will receive the funds in the same way that they generally receive benefits, either by check in the mail or by direct deposit. For more information, go to: <http://www.socialsecurity.gov/payment>.

Unemployment Assistance

- ***An Increase In Weekly Unemployment Benefits:*** The Recovery Act increases unemployment benefits by \$25 per week, which is estimated to help 20 million jobless workers. These payments may be included in an individual's weekly unemployment check or provided separately on a weekly basis. No action is required by an UI recipient to receive this additional \$25 per week. The implementation of this increase began in some states as early as the week of March 1; by the end of April, all states are expected to have implemented the increase. The \$25 weekly increase is retroactive, covering weeks of unemployment beginning February 22.
- ***Extended Unemployment Benefits:*** The Recovery Act continues through December 2009 the extended unemployment program (which provides up to 33 weeks of federally-funded extended benefits to individuals exhausting regular, state-provided unemployment benefits), that was otherwise scheduled to begin to phase out at the end of March 2009. State unemployment offices should notify individuals nearing exhaustion of regular benefits of their potential eligibility for extended benefits. No action is required by a UI recipient to begin receiving these extended benefits.
- ***Suspending Taxes on Unemployment Benefits:*** The Recovery Act suspends the taxation of the first \$2,400 in unemployment benefits a person receives, for tax year 2009. The IRS forms for 2009 taxes will provide for not counting the first \$2,400 in unemployment benefits towards an individual's taxable income.
- ***Expanded Coverage:*** The Recovery Act provides a total of up to \$7 billion for states that have in place or commit to implementing specific provisions designed to increase UI coverage for low-wage, part-time, and other workers now sometimes excluded from the program. If a state takes advantage of this new funding, some additional workers may become eligible for unemployment benefits if they lose their jobs. In such states, no specific action is required of individuals to receive benefits other than following his/her state's regular rules for filing for unemployment benefits.

For more information, go to: <http://www.dol.gov/recovery/>

Supplemental Nutrition Assistance Program/Food Stamps

The Recovery Act provides \$19.9 billion to increase monthly food stamp benefits by 13.6 percent, or roughly \$80 per family per month, to help offset rising food costs for more than 31 million Americans, half of whom are children. On March 9, Secretary of Agriculture Tom Vilsack announced that this 13.6 percent increase in monthly food stamp benefits would begin to be provided to recipients on April 1st.

How to Apply: For more information, go to:

http://www.usda.gov/wps/portal/!ut/p/s.7_0_A/7_0_1OB?contentidonly=true&contentid=2009/03/0051.xml

Expansion of Trade Adjustment Assistance (TAA) Programs

This provision expands current Trade Adjustment Assistance Programs. Among other things, it extends TAA to trade-affected services sector workers and workers affected by off shoring or outsourcing to all countries, including China or India. It increases training funds available to states by 160 percent to \$575 million per fiscal year, creates a new TAA program for trade-affected communities, allows for automatic TAA eligibility for workers suffering from import surges and unfair trade, makes training, healthcare and reemployment TAA benefits more accessible and flexible, and improves the TAA for Firms and TAA for Farmers programs. It reauthorizes all TAA programs (which expired December 31, 2007) through December 31, 2010.

How to Apply: TAA is administered through the Department of Labor Employment and Training Administration. For more information, visit <http://www.doleta.gov/tradeact/>.

Maintaining Health Care Coverage: COBRA (Consolidated Omnibus Budget Reconciliation Act) Premium Reduction

As millions of people are losing their jobs in this recession, they are also losing their health insurance. The Recovery Act has a key provision to strengthen COBRA to help maintain health insurance coverage during this downturn. Under the COBRA program, workers who are laid off can buy into the health insurance plans of their former employer, but the coverage has typically been unaffordable. The Recovery Act provides a 65 percent federal subsidy for COBRA premiums for up to 9 months for people who were involuntarily terminated from their jobs between September 1, 2008 and December 31, 2009. This 65 percent subsidy is designed to make health care continuation coverage under COBRA affordable. It is estimated that this provision will help 7 million people obtain health care coverage.

On March 19, Secretary of Labor Hilda Solis announced the implementation of the 65% subsidy for COBRA premiums, including releasing several documents, such as model notices, for employers and employees covered by COBRA. Any worker now being involuntarily terminated from their job should be receiving information directly from their employer about the COBRA premium reduction they are entitled to, if their employer is covered by COBRA. If this does not occur, the individual should contact their employer. Also, if an individual has been terminated in recent weeks and was not told of the COBRA premium reduction, they should contact their former employer.

Furthermore, if an individual was involuntarily terminated from September 1, 2008 through February 16, 2009, but failed to initially elect COBRA, he/she will get a second chance to elect COBRA and receive the premium reduction. No later than April 18, 2009, health plans should notify individuals about the second election period, in addition to providing any forms and information needed to enroll. If an individual has not been notified by April 18, they should contact their former employer.

How to Apply: Current law requires employers to work with employees about how to access COBRA and private health plans must also assist former employees in receiving this benefit. For more information, go to:

<http://www.dol.gov/COBRA>. For an excellent “frequently asked questions” about the COBRA premium reduction prepared by the Ways and Means Committee, go to: <http://waysandmeans.house.gov/media/pdf/111/cobra.pdf>

Tax Credits for Energy-Efficient Improvements to Existing Homes

Under the Recovery Act, homeowners who make energy-efficient improvements to their property can qualify for tax credits of up to 30 percent, or a maximum of \$1,500. The credits cover such items as the installation of high-efficiency furnaces, tankless water heaters, qualified windows, insulation, central air conditioning systems, and metal or asphalt roofing.

How to Apply: Families may claim the expanded and increased tax credits for energy efficient home improvements when they file their 2009 tax returns in 2010. A detailed list of qualified improvements is available at www.energystar.gov.

Student Financial Assistance: Pell Grants

Funding Agency: Department of Education

Federal Funding: \$15.84 billion

Description: \$15.64 billion of the funding will go to Pell Grants and \$200 million will be allocated for College Work-Study. The maximum Pell Grant award will be raised to \$5,350.

How to Apply: Applicants for a Pell Grant should visit <http://www.ed.gov/programs/fpg/index.html> or www.fafsa.ed.gov or <http://studentaid.ed.gov> or www.students.gov to obtain application and further information.

Computers as Qualified Education Expenses in 529 College Savings Plans

Section 529 Education Plans are tax-advantaged savings plans that cover all qualified higher education expenses, including tuition, room and board, mandatory fees and books. The Recovery Act provides that, for 2009 and 2010, the purchase of computers and other computer equipment, as well as payments for Internet access, will qualify as qualified higher education expenses.

How To Apply: Families that use 529 Education Plans will now be able to withdraw funds from the 529 account, tax free, to go toward to purchase of computers or computer technology.

Energy Efficient Appliance Rebate program and Energy Star program

Funding Agency: Department of Energy

Federal Funding: \$300 million

Description: This funding will provide rebates for consumers for the purchase of residential Energy Star products to replace used appliances with more efficient models.

How to Apply: The Department of Energy will administer these rebates through the Energy Star program. Please visit www.energystar.gov for more information as the program is implemented.

Weatherization Assistance Program

Funding Agency: Department of Energy

Federal Funding: \$5 billion

Description: Helps low-income families reduce their energy costs by sending funds to the states to weatherize low-income homes. Services include attic, wall and basement insulation, blower-door-guided air leakage reduction; heating system repairs or replacement; and health and safety testing and inspections. All measures are provided based on an on-site energy audit and on cost-effective guidelines. The program has been expanded to include households at or below 200% of the federal poverty guidelines. The maximum allowed per household has been increased from \$2,500 to \$6,500.

How to Apply: Funds will be added to the State's Weatherization Program.

Refundable Credit for Certain Federal and State Pensioners

The bill also provides a one- time refundable tax credit of \$250 in 2009 to certain government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit.

How to Apply: For more information, please visit www.irs.gov or www.treasury.gov.

Child Tax Credit

A child tax credit is a tax credit based on the number of dependent children in a family. This provision would increase the eligibility of the refundable child tax credit. The Recovery Act expands the eligibility for the refundable child tax credit in 2009 and 2010 – benefiting the families of more than 16 million children. Under prior law, taxpayers with dependent children under age 17 needed at least \$8,500 in income to benefit from the credit. The Act lowers that income threshold to \$3,000. Families may claim the expanded child tax credit when they file their 2009 tax returns in 2010 (and when they file their 2010 tax returns in 2011). The 2009 and 2010 tax forms will reflect this expansion of the child tax credit.

How to Apply: The provision is effective for taxable years beginning after December 31, 2008. The tax credit will be given after filing for taxes. For more information, visit www.irs.gov.

Increase in Earned Income Tax Credit

The Recovery Act expands the Earned Income Tax Credit (EITC) for families with three or more children and also reduces the marriage penalty in the EITC in 2009 and 2010. For example, the maximum credit for a qualifying family with three or more children will rise by \$629 to \$5,657.

How to Apply: Families may claim the expanded EITC when they file their 2009 tax returns in 2010 (and when they file their 2010 tax returns in 2011). The 2009 and 2010 tax forms will reflect this expansion of the EITC. For more information about the EITC, visit www.irs.gov.

WIC (Women's Infants and Children) Contingence

Funding Agency: Department of Agriculture

Federal Funding: \$5 Million

Description: WIC provides Federal grants to States for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk.

How to Apply: State agencies are responsible for determining participant eligibility and providing benefits and services, and for authorizing vendors. For more information and to apply, please visit www.grants.gov and <http://www.fns.usda.gov/wic/howtoapply/default.htm>.

Alternative Minimum Tax Relief

This provision would provide more than 26 million families with tax relief in 2009 by extending AMT relief for nonrefundable personal credits and increasing the AMT exemption amount to \$70,950 for joint filers and \$46,700 for individuals.

How to Apply: This benefit will automatically go into effect without any action from the taxpayer.

Helping America's Small Businesses

Small businesses are the backbone of the American economy. They create 60 to 80 percent of new jobs. This job creating potential is even more important when times are tough. Since January, Congress has made small business needs a priority, providing \$15 billion in tax relief to small firms and unlocking \$21 billion in new lending and investment for entrepreneurs through the American Recovery and Reinvestment Act. If our nation is going to lift itself out of recession, small businesses will once again need to lead the way.

Funding for Small Business Development

Small Business Administration's (SBA) 504 certified development company (CDC) program

This program provides \$636 million for new direct lending and guarantee authorities under the Small Business Administration's (SBA) 504 certified development company (CDC) program, which provides growing businesses with long-term; fixed-rate financing for major fixed assets, such as land and buildings.

Temporary Fee Reductions or Eliminations – Making Small Business Loans More Affordable

The American Recovery and Reinvestment Act provides \$375 million for temporary fee reductions or eliminations on SBA loans. Most fees are reduced or eliminated through September 2010 on certain SBA loans.

Business Stabilization Loans

The American Recovery and Reinvestment Act creates a new SBA loan program to provide deferred-payment loans of up to \$35,000 to viable small businesses that need the money to make payments on an existing, qualifying loan for up to six months. These loans will be 100 percent guaranteed by SBA. Repayment would not have to begin until 12 months after the loan is fully disbursed.

Microloans

The American Recovery and Reinvestment Act provides \$30 million for expanding SBA's Microloan program, enough to finance up to \$50 million in new lending and \$24 million in technical assistance grants to microlenders. This expands SBA's Microloan program, which provides small loans (up to \$35,000) paired with technical assistance to start-up, newly established or growing small businesses. Historically, these loans reach low-income individuals, women and minorities in both rural and urban areas. The program is expanded through September 30, 2010.

Refinancing

The American Recovery and Reinvestment Act authorizes refinancing for certain SBA loans so borrowers can expand their businesses on favorable terms, and help create jobs in their communities. This loan authority is through the 504 Certified Development Company program.

Contact Information for the Small Business Administration

To date, the Small Business Administration (SBA) has not provided details about how fast the changes made in the American Recovery and Reinvestment Act will be implemented. For more information in the coming days, visit the SBA website at <http://www.sba.gov> or contact the local office by calling (207) 622-8551 or visiting their website at <http://www.sba.gov/localresources/district/me/index.html>.

I also encourage you to consult with the Small Business Development Center (SBDC) in Maine. The SBDC program is a cooperative effort of the private sector, the educational community, and federal, state, and local governments. Maine SBDCs are located throughout the state and can be reached by calling (207) 780-4420 or visiting their website at <http://www.mainesbdc.org>.

Small Business Tax Relief

Advanced Energy Investment Credit

This provision establishes a new 30% investment tax credit for facilities engaged in the manufacture of advanced energy property. Credits are available only for projects certified by the Secretary of Treasury, in consultation with the Secretary of Energy, through a competitive bidding process. The Secretary of Treasury must establish a certification program no later than 180 days after date of enactment, and may allocate up to \$2.3 billion in credits. Advanced energy property includes technology for the production of renewable energy, energy storage, energy conservation, efficient transmission and distribution of electricity, and carbon capture and sequestration.

How to Apply: Please check www.energy.gov for more information as the Advanced Energy Investment Credit is implemented.

Long-term Extension and Modification of Renewable Energy Production Tax Credit

This proposal would extend the placed-in-service date for wind facilities for three years (through December 31, 2012). This proposal would also extend the placed-in-service date for three years (through December 31, 2013) for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy; and marine renewable facilities.

How to Apply: This proposal extends existing tax credits. Information on how to file can be found at www.irs.gov.

Extension of Bonus Depreciation

Businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off fifty percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The bill would extend this temporary benefit for capital expenditures incurred in 2009.

How to Apply: The extension of the first-year depreciation deduction is generally effective for property placed in service after December 31, 2008. This benefit can be claimed when filing for taxes.

Extension of Small Business Expensing

In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write-off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Until the end of 2010, small business taxpayers are allowed to write-off up to \$125,000 of capital expenditures subject to a phase-out once capital expenditures exceed \$500,000. Last year, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The bill would extend these temporary increases for capital expenditures incurred in 2009.

How to Apply: Small business can obtain this credit when filing for taxes.

Small Business Capital Gains

This provision increases the percentage of exclusion for qualified business stock sold by an individual from 50 percent to 75 percent.

How to Apply: This provision is effective for stock issued after the date of enactment and before Jan. 1, 2011. Businesses can claim this credit when filing for taxes.

5-Year Carryback of Net Operating Losses for Small Businesses

A net operating loss (NOL) means the amount by which a taxpayer's business deductions exceed their gross income. Under current law, NOLs may be carried back to the two taxable years before the year that the loss arises and carried forward to each of the succeeding twenty taxable years after the year that the loss arises. For 2008, the bill would extend the maximum NOL carryback period from two years to five years for small businesses with gross receipts of \$15 million or less. This permits small businesses that have suffered losses over the past couple of years to go back to years in which they made a profit and receive a tax refund. By carrying back losses from this year to profitable years during which they paid taxes, small businesses can receive a refund now for taxes they paid during past, profitable years, providing an immediate cash infusion.

How to Apply: This provision is effective for net operating losses arising in taxable years ending after December 31, 2007. The taxpayer can file for this benefit when filing for taxes.

Work Opportunity Tax Credit

Under current law, businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees of one of nine targeted groups. The bill would create two new targeted groups of prospective employees: (1) unemployed veterans; and (2) disconnected youth. An individual would qualify as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during the five-year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.

How to Apply: Companies can claim this credit when filing their taxes.

Temporary Reduction of Small Business Corporation Built-In Gains Holding Period from 10 Years to 7 Years.

Under current law, if a taxable corporation converts into an S corporation, the conversion is not a taxable event. An S Corporation pays no corporate level tax. Instead a loss of gain goes directly to their shareholders. When a company converts to an S corporation, they must hold its assets for ten years in order to avoid a tax on any built-in gains that existed at the time of the conversion. The bill would temporarily reduce this holding period from ten years to seven years for sales occurring in 2009 and 2010.

How to Apply: This provision will go into effect for businesses for taxable year beginning after December 31, 2008.

Delayed Recognition of Certain Cancellation of Debt Income

Under current law, a taxpayer generally has income where the taxpayer cancels or repurchases debt for an amount less than its adjusted issue price. The amount of cancellation of debt income ("CODI") is the excess of the old debt's adjusted issue price over the repurchase price. Certain businesses will be allowed to recognize CODI over 10 years (defer tax on CODI for the first four or five years and recognize this income ratably over the following five taxable years) for specified types of business debt repurchased by the business after December 31, 2008 and before January 1, 2011.

How to Apply: Business can claim this when they file for taxes. For information on qualifications, visit www.treasury.gov.

Clean Renewable Energy Bonds ("CREBs")

This provision authorizes an additional \$1.6 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This \$1.6 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives.

How to Apply: Qualified participants will be able to utilize this bond program as it is developed. Check www.treasury.gov for additional information after this program is implemented.

Repeal Subsidized Energy Financing Limitation on the Investment Tax Credit

Under current law, the investment tax credit must be reduced if the property qualifying for the investment tax credit is also financed with industrial development bonds or through any other Federal, State, or local subsidized financing program. The provision in the American Recovery and Reinvestment Act would repeal this subsidized energy financing limitation on the investment tax credit in order to allow businesses and individuals to qualify for the full amount of the investment tax credit even if such property is financed with industrial development bonds or through any other subsidized energy financing.

How to Apply: Participants will find that the financing limitation for subsidized energy has been removed.

Delay Application of Withholding Requirement on Certain Governmental Payments for Goods and Services

For payments made after December 31, 2010, current law requires withholding at a three percent rate on certain payments to persons providing property or services made by Federal, State, and local governments. The withholding is required regardless of whether the government entity making the payment is the recipient of the property or services. Numerous government entities and small businesses have raised concerns about the application of this provision. The provision would delay for one year (through December 31, 2011) the application of the three percent withholding requirement on government payments for goods and services in order to provide time for the Treasury Department to study the impact of this provision on government entities and other taxpayers.

How To Apply: This provision is effective on the date of enactment.

Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit

Under current law, facilities that produce electricity from solar facilities are eligible to take a thirty percent (30%) investment tax credit in the year that the facility is placed in service. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit. The production tax credit is payable over a ten-year period. Because of current market conditions, it is difficult for many renewable projects to find financing due to the uncertain future tax positions of potential investors in these projects. The bill would allow facilities to elect to claim the investment tax credit in lieu of the production tax credit.

How to Apply: Participants will be able to file the tax credit on their tax return. For more information, visit www.irs.gov.