

Finance Committee Staff Summary

Economic Stimulus Act of 2008

January 30, 2008

I. Individual Tax Provisions

Income Tax Rebate. Taxpayers will receive a payment of \$500 (\$1000 for married filing jointly) if the taxpayer files a tax return for the 2007 tax year as long as the taxpayer reports a tax liability of at least \$1 or \$3000 in wages, net self employment income, or social security benefits on his/her tax return. In addition, an eligible tax filer will receive \$300 for every child. The proposal has no income limits and the entire credit is fully refundable. *This proposal is estimated to cost approximately \$119.6 billion in 2008 and \$131 billion over ten years.*

II. Business Tax Provisions

Elective Expensing (Section 179). In lieu of depreciation, small business taxpayers may elect to deduct (or expense) the cost of qualified assets (or 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 proposal increases the expensing limit to \$250,000 and the phase-out to \$800,000 for 2008. The proposal is effective for taxable year 2008. *This proposal is estimated 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 proposal will allow a trade or business to depreciate an additional 25% of the cost of an asset acquired and placed into service in 2008 in that year and another 25% in the next 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 property. The bonus depreciation will be allowed under the alternative minimum tax (AMT). The proposal is effective for calendar year 2008 beginning after the date of first Committee action. *This proposal is estimated to cost \$16.4 billion in 2008, \$20.2 billion in 2009, and \$6.7 billion over ten years.*

Extension of the net operating loss carry back period. The bill would extend the carry back period for net operating losses (NOLs) from two years to 5 years for NOLs arising in tax years 2006 and/or 2007. NOLs are allowed to offset 100 percent of a taxpayer's alternative minimum taxable income. A taxpayer may elect to use one of the following: net operating loss arising in 2006 and/or 2007 with a five year carry back period; bonus depreciation; or Sec. 179 expensing. *This proposal is estimated to cost approximately \$14.4 billion in 2008 and \$2.9 billion over ten years.*

III. Emergency Unemployment Benefits

Unemployment Insurance Benefit Extension. The bill extends the number of weeks that unemployed workers can receive unemployment benefits by an additional 13 weeks with an extra 13 weeks for unemployed workers in high unemployment states. *This proposal is estimated to cost approximately \$10 billion in 2008 and \$9.8 billion over ten years.*