



NCAI



ECONOMIC STIMULUS INDIAN COUNTRY WORKS

The Economic Stimulus and Your Tribal Members

Not only does the stimulus provide increased funding for tribal programs, it offers significant resources for individual Americans. Individual tax breaks and other payments make up more than \$100 billion of the \$787 billion stimulus package. Effective economic stimulus for tribal communities requires that all eligible individuals are able to utilize these resources. Tribal leaders have a unique opportunity and responsibility to (1) educate their citizens about the benefits the stimulus offers their members; and (2) prepare their communities to access significant tax benefits in tax years 2009 and 2010.

FOR ALL

Making Work Pay Credit

- What:** Working Americans will receive a credit of 6.2% of their earnings – up to \$400 for individuals and \$800 for couples filing jointly.
- Who:** Full credit for individuals earning up to \$75,000 (couples filing jointly, earning up to \$150,000); partial credit for individuals up to \$100,000 (couples filing jointly, earning up to \$200,000).
- Bottom line:** \$13/week in extra take home pay for 2009; \$7.70/week extra in 2010 (if employers adjust tax withholdings). And, the credit is refundable, even those who work but don't owe federal taxes can receive the credit!

There is a related one-time payment of \$250 for some people who don't work (retirees, disabled individuals and Social Security recipients)

FOR FAMILIES

Earned income tax credit

- What:** Temporarily expands access to this refundable credit.
- Who:** Low-income families with three children
- Bottom line:** These families will see a 5% increase in their credit (up to a maximum of over \$5,600)

Child tax credit

- What:** Temporarily expands eligibility to claim the child tax credit.
- Who:** Families earning \$3,000 can claim a partial credit (Expanding eligibility over the 2008 threshold of \$8,500).
- Bottom line:** Allows very poor families to receive a refundable credit of up to \$1,000 per child.

FOR THE DISADVANTAGED AND DISTRESSED

Unemployment benefits

- What:** Unemployed Americans will receive additional benefits, be exempt from some income tax, and be eligible to access benefits for longer.
- Who:** Unemployed people.
- Bottom line:** \$25/extra per week in unemployment benefits, first \$2,400 is exempt from federal income tax, and eligibility to access at least 20 additional weeks of benefits (with an additional 13 weeks available to those who live in 'high unemployment states')

Food stamps

- What:** Expansion of food stamp payments by 13.6%
- Who:** Current food stamp recipients
- Bottom line:** An additional \$80/month for a family of four

FOR HOMES

First-time homebuyer credit

- What:** Refundable credit of \$8,000 for new home purchase before Dec 1, 2009
- Who:** Full credit for individuals earning up to \$75,000 (couples filing jointly, earning up to \$150,000); partial credit for individuals up to \$95,000 (couples filing jointly, earning up to \$190,000).
- Bottom line:** Up to \$8,000 for first-time home owners (and those who have not owned for three years). The credit is refundable.

Energy efficiency improvements

- What:** Tax credit to cover 30 percent of eligible costs (up to \$1,500)
- Who:** Homeowners who make eligible improvements (e.g. add energy-efficient windows, furnaces, heat pumps and air conditioners; replace leaky windows or add insulation).
- Bottom line:** Up to \$1,500 to make homes more energy efficient.

FOR CARS

New car deduction

- What:** Deduction of state and local sales tax on the purchase of a new car, light truck, RV or motorcycle
- Who:** Those who purchase a new vehicle valued up to \$49,500 in 2009
- Bottom line:** Reduced tax liability ranging above 5% of the purchase price of a new vehicle

FOR EDUCATION

American Opportunity Tax Credit

- What:** A temporary expansion of the Hope Scholarship tax credit (currently \$1,800)
- Who:** Full credit up to \$80,000 for individuals (\$160,000 for couples filing jointly); partial credit for individuals earning less than \$90,000 (\$180,000 for couples filing jointly)
- Bottom line:** \$2,500 credit (\$1,000 of which is refundable) provides additional funds to support working families to send kids to college (and for students paying their own way)

Pell Grant

- What:** Increases maximum Pell Grant and expands their availability
- Who:** Pell Grant eligible students
- Bottom line:** Increases the maximum grant by \$500 to \$5,350 in 2009 and \$5,550 in 2010. Adds funding to support an additional 800,000 students

529 savings plans

- What:** Expands eligible uses of tax-deferred 529 college savings plans to include computers and computer technologies (including internet access and software)
- Who:** Those making withdrawals from 529 plans
- Bottom line:** Those saving in 529s can purchase computers and related technologies with pre-tax income

Please note: Many of the tax provisions are related to tax years 2009 and 2010 and do not affect this year's tax preparation process. The analysis in this document is only an initial guide. NCAI will be providing further assistance through stimulus webinars and at www.ncai.org/stimulus.