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Economic Stimulus Points of Interest

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA), commonly known as the Economic Stimulus Act. The IRS and DOL continue to define its provisions but here are some key highlights known so far:

Increase in Payroll Checks.

- The IRS issued revised federal withholding tables and Advanced Earned Income Tax Credit tables that will lower the amount of federal income tax withholding, and businesses are to utilize them no later than April 1, 2009.
- The credit is 6.2% of earned income, up to \$400 per person per year for singles, and up to \$800 for married couples. The credit phases out for higher wage earners.

COBRA Premium Subsidy.

- Employers offering a group health plan subject to federal COBRA or similar state law regulations are required to offer premium assistance to Assistance Eligible Individuals (AEI).
- Employees, as well as their spouses and covered dependents, would be considered an AEI if they experienced an involuntary termination between September 1, 2008, and December 31, 2009.
- An AEI is eligible for a 65 percent federal subsidy on their COBRA premiums for a maximum of 9 months, and is considered to have paid their COBRA premium in full if payment of 35 percent is made to the employer.

Form 941 – Claim COBRA Premium Credits.

- Through a revised Form 941, effective first quarter 2009, the federal government will reimburse employers for the 65 percent of the COBRA premium by allowing them to take a credit against their quarterly employer tax liabilities.
- Additional lines on the revised Form 941 are to report the number of COBRA premium assistance individuals and the total dollar amount of COBRA premium assistance payments.

Additional Business Tax Provisions Include:

- 50% bonus first-year depreciation for assets purchased in the current year.
- Businesses under \$15 million in gross receipts for 2006-2008 can carry back 2008 losses for 5 tax years.
- Asset expensing continues its \$250K ceiling through 2009.
- Work opportunity credits have been expanded to include both veterans and disconnected youths (16 to 25) who are unemployed.

Additional Individual Tax Provisions Include:

- First-time homebuyer credit for those who purchase – in 2009 – up to \$8,000 without a payback requirement.
- \$250 benefit check for Social Security recipients, veterans and railroad retirees.
- Taxpayers who buy certain new vehicles in 2009 can deduct the state and local sales taxes paid.

Details surrounding these and other tax law changes are still being provided. For updated economic stimulus legislation, please visit www.irs.gov.

If you have any questions or for more information, please contact Scott Cote at (214) 461-1467 or via email at scote@lgt-cpa.com.

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