



The Economic Stimulus Act of 2008

The Economic Stimulus Act of 2008 (H.R. 5149) was passed by Congress on February 7, 2008, and was signed into law by President Bush on February 13, 2008. The primary purpose of the Act is to provide economic stimulus through recovery rebates to individuals and temporary incentives for business investment.

Recovery rebates to individuals

The Act provides a tax rebate to lower- and middle-income working (earning a paycheck in 2007) families as follows:

- ▶ Eligible individuals will receive an amount equal to the lesser of their net income tax liability or \$600 (\$1,200 if married filing jointly).
- ▶ Additional rebates of \$300 will be paid for each child of an eligible taxpayer.
- ▶ A minimum tax rebate of \$300 (\$600 for married taxpayers filing joint returns) will be paid to taxpayers with earned income of at least \$3,000. Social Security retirement benefits, as well as compensation and pension benefits paid to disabled veterans are included for the purposes of determining income eligibility for rebates.
- ▶ Rebates are phased out for taxpayers with an adjusted gross income (AGI) in 2007 of \$75,000 (\$150,000 for married taxpayers filing joint returns).

The following illustrates how the rebate works:

For individuals:

Income for 2007	Amount of Rebate
Less than \$3,000	\$0
More than \$3,000 but paid no taxes	\$300
More than \$3,000 and paid taxes	\$600
If you have children	\$300 per child

The amount of the rebate phases out at a rate of 5% of AGI above \$75,000, ending at \$87,000.

For married taxpayers filing jointly:

Income for 2007	Amount of Rebate
Less than \$3,000	\$0
More than \$3,000 but paid no taxes	\$600
More than \$3,000 and paid taxes	\$1,200
If you have children	\$300 per child

The amount of the rebate phases out at a rate of 5% of AGI above \$150,000, ending at \$174,000.

- ▶ Individuals must file a tax return for 2007 to receive the rebate
- ▶ The Secretary of the Treasury is directed to pay tax rebates as rapidly as possible (as early as May).
- ▶ The Act prohibits payment of rebates after December 31, 2008, and payment of a rebate to a taxpayer without a valid identification number (i.e., Social Security number).
- ▶ Similar tax rebates are provided to residents of the Commonwealths of Puerto Rico and the Northern Mariana Islands.
- ▶ The payment of a tax rebate will not be considered income for purposes of determining eligibility for federal and federally-assisted state benefit programs.

Business incentives

- ▶ Under Section 179, small businesses may write off up to \$250,000 (up from \$128,000) of capital expenditures incurred in 2008. The maximum investment phase-out threshold for such expensing is increased to \$800,000 (up from \$510,000).
- ▶ The Act increases to 50% (from 30%) the amount of the adjusted basis of certain depreciable property (e.g., equipment and computer software) that may be claimed as a deductible expense in 2008.

Increasing loan limits

The Act also temporarily allows the government-sponsored mortgage finance companies Fannie Mae and Freddie Mac (as well as the Federal Housing Authority) to buy individual home loans worth up to \$729,750, up from the current jumbo loan limit of \$417,000.

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