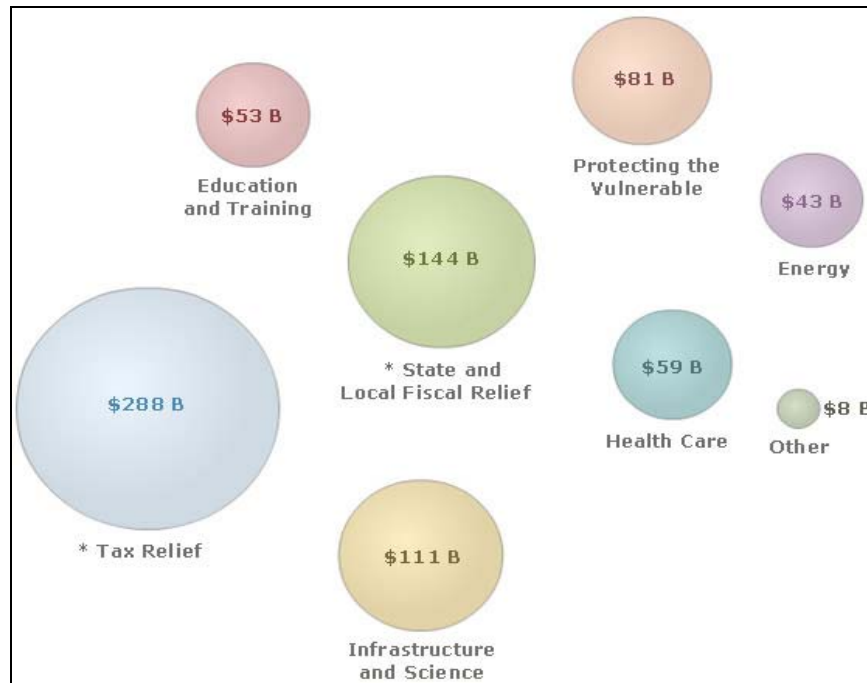


OBAMA'S STIMULUS PLAN

A look at where the money goes.

On February 17, 2009, President Obama signed the 1,071-page American Recovery and Reinvestment Act (H.R. 1) into law. Here are some of the routes the money will take.



Source: The American Recovery & Reinvestment Act www.recovery.gov

I. \$287 billion in tax breaks include...

\$116 billion in refundable tax credits for individuals & families.

Is your adjusted gross income (AGI) \$75,000 or less? You will get a refundable tax credit of up to \$400. Families who earn less than \$150,000 in AGI can get a refundable tax credit of up to \$800. You won't get a check in the mail. Instead, withholding tax on your paycheck will be lessened by about \$8 per week across the remainder of 2009 and also in 2010.¹

\$70 billion to patch the Alternative Minimum Tax.

The AMT exemption has been raised to \$46,700 for individuals and \$70,950 for couples.¹

\$14 billion to expand the child tax credit.

This will help low-income families.²

\$13.9 billion toward Pell Grants & education tax credits.

Pell grants will increase to \$5,350 per student for the 2009-2010 year. Also, if you earn less than \$80,000, or if your family earns less than \$160,000, tax credits of up to \$2,500 will be available for college tuition. Up to 40% of that credit is refundable (as much as \$1,000).³

\$6.63 billion to aid homebuyers.

Specifically, “first-time” homebuyers. The bill defines a “first-time” homebuyer as someone who hasn’t owned a home for the past three years. If you fall into that category and you buy a home in 2009, you are eligible for an \$8,000 tax credit – and you don’t have to pay it back. Some “first-time” buyers will not be eligible – the credit phases out at \$75,000 AGI (individual taxpayers) and \$150,000 AGI (joint filers).³

\$1.7 billion to help new car buyers.

If you buy a new car in 2009, you can deduct the sales tax on it if your AGI is below \$125,000 (individuals) or \$250,000 (joint filers). No Bentleys: the car can’t cost more than \$49,500.^{1,3}

\$23 billion to states.

\$18 billion of it goes to financing for public schools, and for investments in economically downtrodden neighborhoods.²

\$21 billion for energy projects.

\$4 billion of that goes to incentives to encourage more energy-efficient homes and more hybrid car purchases.²

\$10 billion in business tax breaks.

That includes \$5 billion via accelerating depreciation of certain capital assets by 50%, and \$3 billion for General Motors.^{1,2}

II. \$192 billion in direct aid includes...

\$94 billion to states.

\$87 billion of that goes to Medicaid.²

\$78 billion to the jobless.

That includes a one-time \$250 check to Social Security, veterans’ benefits and Supplemental Security Income recipients (\$14 billion). \$9 billion will be spent to boost unemployment checks by \$25 a week and allow extended benefits for the long-term unemployed through 2009. \$25 billion subsidizes continued group health coverage for people who lost their jobs between 9/1/08 and 12/31/09; their income must not exceed \$125,000 (individuals) and \$250,000 (families).¹

\$20 billion for healthcare.

\$17 billion of this represents incentives for Medicaid and Medicare to adopt new, digital health information technologies.²

III. \$308 billion in discretionary spending includes...

\$106 billion for job training & education.

\$54 billion of this is designed to help states ward off cutbacks and layoffs, mostly in school systems.²

\$48 billion for transportation projects.

\$28 billion goes to road and bridge building; \$8 billion goes to inner-city and high-speed rail projects.^{2 & 3}



\$44 billion to energy projects.

\$11 billion will update the U.S. electric power grid.²

\$41 billion for infrastructure, environment & water projects.

The biggest expense here is the \$7 billion to expand rural America's broadband capability.²

\$29 billion in health & science funding/research.

\$10 billion of this heads to the National Institute of Health, a world-respected medical research center.²

\$40 billion for other projects.

Out of this, \$20 billion will extend food stamp benefits, and \$13 billion will go to housing programs.²

Let's hope all the money stimulates the economy.

These are the views of Peter Montoya Inc., not Tarpley & Underwood Financial Advisors, LLC, and should not be construed as investment advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The publisher is not engaged in rendering legal, accounting or other professional services. If other expert assistance is needed, the reader is advised to engage the services of a competent professional. Please consult your financial professional for further information.

Citations

¹ nytimes.com/2009/02/14/us/politics/14stimintro.ready.html?em [2/14/09]

² nytimes.com/imagepages/2009/02/14/us/politics/14stimulus_graphic.ready.html [2/14/09]

³ cnn.com/2009/POLITICS/02/13/stimulus.winners.losers/ [2/13/09]

⁴ features.csmonitor.com/economyrebuild/2009/02/14/my-five-favorite-things-in-the-stimulus-bill/ [2/14/09]