

How Does the Stimulus Plan Affect You? It's Good to Get Some Advice Now

The biggest benefit from the \$787.2 billion federal stimulus package will hopefully be a noticeable improvement in the nation's economy. But on an individual level, it's wise to check if you might be eligible for benefits in health care, education, various tax credits and housing.

A visit with a tax expert or a financial adviser such as a CERTIFIED FINANCIAL PLANNER™ professional can help you determine the best ways to use the following provisions that may affect you. It's also a good idea to get a financial checkup in an uncertain economy for the following reasons:

- As much as it might hurt to look at the performance of your current retirement accounts and other investments, the economy *will* recover. When an upturn comes, it's wise to position your holdings to take full advantage of the recovery.
- Your future plans with regard to spending for your home, your family and your education come into sharp focus under the stimulus plan, and making these provisions work for you in the short-term should be part of a long-term plan.
- If you fear your job might be in danger in the coming months or you might be facing pay or benefit cuts, it's good to talk through your personal finances before your employer makes a move. The best time to prepare for a job loss is while you're still making a salary. Not only is it a good opportunity to build an emergency fund, but it's generally easier to look for new opportunities while you still have your current one.

Here's a quick summary of the stimulus plan provisions that could affect your finances.

Educational provisions:

College student aid: The package awards \$15.6 billion to increase maximum individual student Pell grants by \$500.

American Opportunity Tax Credit: This credit temporarily provides taxpayers with a new tax credit of up to \$2,500 of the cost of tuition and related expenses, though it phases out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly). Forty percent of the available credit is refundable.

529 Plans: The scope of allowable education expenses expands to include computers and computer technology.

Tax credit provisions:

One more cap for the Alternative Minimum Tax (AMT): Lawmakers put one more patch on the AMT to protect a wider number of people from getting hit. This latest break for potential AMT targets increases the exemption amounts to \$46,700 (\$70,950 for married couples). The bill would also exclude interest on all private activity bonds issued in 2009 and 2010 from the AMT.

“Making Work Pay” Tax Credits: This is the refundable tax credit of up to \$400 for individuals and \$800 for families for 2009 and 2010 that would phase out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples). This isn’t a lump sum payment, but instead is reflected in reduced payroll taxes.

Car Buyers Tax Credit: This allows a deduction for state and local sales and excise taxes paid on the purchase of a new vehicle through 2009. This deduction is phased out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return).

Expanded Child Credit: This increases the eligibility for the refundable child tax credit in 2009 and 2010 by reducing the minimum income for eligibility to \$3,000.

Earned Income Tax Credit: This provision will create a temporary tax credit increase for working families with three or more children.

Housing provisions:

Refundable First-Time Homebuyer Credit: First-time buyers can claim a credit worth \$8,000 - or 10 percent of the home's value, whichever is less - on their 2008 or 2009 taxes. The added bonus is that the credit is refundable, which means that filers will see a refund of the full \$8,000 even if their total tax bill was less than that amount.

Unemployment and healthcare-related benefits:

Extension of Unemployment Benefits: The package provides 33 weeks of extended benefits through Dec. 31, 2009.

Unemployment Compensation: The first \$2,400 a person receives in unemployment compensation benefits in 2009 won't be taxed.

Short-Term COBRA Subsidy for Involuntarily Terminated Workers: This provides a 65 percent subsidy for COBRA premiums for up to 9 months, which will put a dent in the considerable cost of COBRA health benefits for the unemployed.

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