Making Work Pay Credit: Will cut taxes for more than 95% of working families in the United States. For 2009 and 2010, the bill will provide a refundable tax credit of up to $400 for working individuals and $800 for working families. This tax credit will be calculated at a rate of 6.2% of earned income, and will phase out for taxpayers with adjusted gross income in excess of $75,000 ($150,000 for married couples filing jointly).

For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes beginning on April 1, 2009. These changes may result in an increase in take-home pay. The amount of the credit must be reported on the employee's 2009 income tax return filed in 2010. Taxpayers who do not have taxes withheld by an employer doing the year can also claim the credit on their 2009 tax return.

Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits: A one-time payment of $250 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the U.S. Department of Veterans Affairs. The Economic Recovery Payment will be delivered to qualified recipients in the manner they normally receive benefits beginning in May, 2009-no action is required to receive payment.

Refundable Credit for Certain Federal and State Pensioners: Will provide a one-time refundable tax credit of $250 in 2009 to certain government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit.

Increase in Earned Income Tax Credit: Will temporarily increase the earned income tax credit for working families with three or more children. Under currentl law, working families with two or more children currently qualify for an earned income tax credit equal to forty percent (40%) of the family's first $12, 570 of earned income. This credit is subject to a phase-out for working families with adjusted gross income in excess of $16, 420 ($19,540 for married couples filing jointly). The bill will increase the earned income tax credit to forty-five percent (45%) of the family's first $12,570 of earned income for families with three or more children and would increase the beginning point of the phase-out range for all married couples filing a joint return (regardless of the number of children) by $1,880.

Increase Eligibility for the Refundable Portion of Child Credit: Will increase the eligibility for the refundable child tax credit in 2009 and 2010. For 2008, the child tax credit is refundable to the extent of 15 percent of the taxpayer's earned income in excess of $8,500. The bill will reduce this floor for 2009 and 2010 to $3,000.

"American Opportunity" Education Tax Credit: Will provide financial assistance for individuals seeking a college education. For 2009 and 2010, the bill will provide taxpayers with a new "American Opportunity" tax credit of up to $2,500 of the cost of tuition and related expenses paid during the taxable year. Under this new tax credit, taxpayers will receive a tax credit based on one hundred percent (100%) of the first $2,000 of tuition and related expenses (including books) paid during the taxable year and twenty-five percent (25%) of the next $2,000 of tuition and related expenses paid during the taxable year. Forty percent (40%) of the credit would be refundable. This tax credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of $80,000 ($160,000 for married couples filing jointly).

Computers as Qualified Education Expenses in 529 Education Plans: Section 529 Education Plans are tax-advantaged savings plans that cover all qualified education expenses, including: tuition, room & board, mandatory fees and books. The bill provides that computers and computer technology qualify as qualified education expenses.

Refundable First-time Home buyer Credit: Last year, Congress provided taxpayers with a refundable tax credit that was equivalent to an interest-free loan equal to 10 percent of the purchase of a home (up to $7,500) by first-time home buyers. The provision applies to homes purchased on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit are currently required to repay any amount received under this provision back to the government over 15 years in equal installments, or, if earlier, when the home is sold. The credit phases out for taxpayers with adjusted gross income in excess of $75,000 ($150,000 in the case of a joint return). The bill eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009, increases the maximum value of the credit to $8,000, and removes the prohibition on financing by mortgage revenue bonds, and extends the availability of the credit for homes purchased before December 1, 2009. This provision will retain the credit recapture if the house is sold within three years of purchase.

Sales Tax Deduction for Vehicle Purchases: Provides all taxpayers with a deduction for State and local sales and excise taxes paid on the purchase of new cars, light truck, recreational vehicles, and motorcycles through 2009. This deduction is subject to a phase-out for taxpayers with adjusted gross income in excess of $125,000 ($250,000 in the case of a joint return).

Temporary suspension of taxation of unemployment benefits: Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately $300 per month. The proposal temporarily suspends federal income tax on the first $2,400 of unemployment benefits per recipient. Any unemployment benefits over $2,400 will be subject to federal income tax.

Extension of AMT relief for 2009: Provides more than 26 million families with tax relief in 2009 by extending AMT relief for nonrefundable personal credits and increasing the AMY exemption amount by $70,950 for joint filers and $46,700 for individuals.

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