



POTENTIAL STIMULUS BENEFITS FOR CLIENTS OF COMMUNITY ACTION AGENCIES

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Following is a summary of how the American Recovery and Reinvestment Act of 2009 (the economic stimulus legislation referred to here as “ARRA”) impacts individuals served by CAAs.

Food Assistance

- **Supplemental Nutrition Assistance Program (SNAP):** ARRA includes \$19.9 billion to temporarily increase benefits under SNAP, formerly called Food Stamps. At a minimum, each household will receive an increase in benefits of 13.6%. For example, the maximum monthly allotment for a 4-person household in the 48 States and DC increases \$80, from \$588 to \$668. ARRA also suspends time limits on eligibility for jobless adults without dependents through FY 2010. *See* ARRA of 2009, Division A, Title I, Section 101 (p. H.R. 1–6 – H.R. 1–7), revises some parts of the Food and Nutrition Act of 2008, 26 U.S.C. §§ 2011-2036. *More information is available from the stimulus page on the Food Research and Action Center’s website at http://www.frac.org/Legislative/action_center/highlights_feb09_econ_recovery.htm and from this United States Department of Agriculture Memorandum <http://www.fns.usda.gov/fsp/rules/Memo/09/021809.pdf>.*

Seniors and Disabled

- **Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation Benefits:** ARRA provides a one-time payment of \$250 to retirees, disabled individuals and Social Security Income (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 one-time payment is a reduction to any allowable Making Work Pay credit. *See* ARRA of 2009, Division B, Title II, Subtitle C, Section 2201 (p. H.R. 1–336 – H.R. 1–340). *More information is available from the IRS at <http://www.irs.gov/newsroom/article/0,,id=204468,00.html>.*

Working and Unemployed Individuals

- **Making Work Pay Tax Credit:** ARRA provides that for 2009 and 2010, working individuals may receive a refundable tax credit of up to \$400 and married taxpayers filing joint returns may receive up to \$800. Nonresident aliens do not qualify for this credit and neither do estates, trusts or individuals who can be claimed as a dependent on another person’s tax return. This tax credit will phase out for taxpayers with adjusted gross income in excess of \$75,000, or \$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 in early spring. 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 during the year can also claim the credit on their 2009 tax return. It is not necessary to submit a Form W-4 to get the automatic withholding change. However, an employee with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may elect to submit a revised W-4 to ensure enough withholding is held to cover the tax for his or her combined income. *See* ARRA of 2009, Division B, Title I, Subtitle A, Part I, Section 1001 (p. H.R. 1-195 – H.R. 1-198), adds 26 U.S.C. §36A.

The IRS has issued updated withholding tables to help employers implement the withholding adjustments required by the new economic stimulus law. *Information about these tables is available from the IRS at* <http://www.irs.gov/newsroom/article/0,,id=204447,00.html>.

- **Extension of Emergency Unemployment Compensation and Eligibility for Extended Benefits:** The ARRA affects two pieces of federal legislation that provide benefits to unemployed workers. First, the ARRA extends the period during which an unemployed individual may establish eligibility for the Emergency Unemployment Compensation (EUC) program to on or before December 31, 2009. Unemployed individuals typically receive 26 weeks of unemployment benefits from their states. Once these benefits expire, unemployed individuals are eligible under the EUC program for up to an additional 33 weeks of benefits from the federal government. Thus, most unemployed individuals are eligible to receive up to 59 weeks of benefits through December 31, 2009.

Second, the ARRA has temporarily changed in two significant ways the Federal-State Extended Unemployment Act of 1970 which established the Extended Benefit (EB) program. The ARRA has shifted the cost of the EB program to the federal government for the remainder of 2009, effectively removing the requirement that states pay 50% of the EB benefits. The ARRA has also suspended a federal eligibility rule for unemployed individuals so that now anyone who exhausts their state and federal EUC benefits may potentially receive 13 to 20 weeks of additional benefits if their states meets certain other eligibility requirements.

To confirm receipt of up to 26 weeks of state benefits, up to 33 weeks of federal benefits from the EUC program and possibly up to 13 to 20 weeks of additional federal benefits from the EB program (as previously mentioned EB benefits are contingent on an individual state meeting certain eligibility requirements), unemployed individuals should contact their state unemployment programs. Contact information for state unemployment programs is located in the first link listed below. *See* ARRA of 2009, Division B, Title II, Subtitle A, Section 2001 (p. H.R. 1-322), revises section 4007 of the Supplemental Appropriations Act, 2008 (Public Law 110-252; 26 U.S.C. 3304 note), as amended by section 4 of the Unemployment Compensation Extension Act of 2008 (Public Law 110-449; 122 Stat. 5015) and Section 2005 (p. H.R. 1-330 – H.R. 1-331) revises the Federal-State Extended Unemployment Compensation Act of 1970. *More information is available from the United States Department of Labor at* http://workforcesecurity.doleta.gov/unemploy/supp_act.asp *and from the National*

Employment Law Center at

http://www.nelp.org/site/issues/category/unemployment_insurance/.

- **Temporary Suspension of Taxation of Unemployment Benefits:** Under current law, all federal unemployment benefits are subject to taxation. ARRA 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. This proposal is in effect for taxable year 2009. This credit is received by filing a tax return. *See* ARRA of 2009, Division B, Title I, Subtitle A, Part I, Section 1007 (p. H.R. 1–203), revises 26 U.S.C. § 85.
- **Increase in Unemployment Compensation Benefits:** ARRA automatically increases unemployment weekly benefits by an additional \$25 through 2009. *See* ARRA of 2009, Division B, Title II, Subtitle A, Section 2002(b) (p. H.R. 1–323)
- **Premium Assistance for COBRA Continuation Coverage for Individuals and their Families:** To help people maintain health insurance coverage, ARRA provides a 65% subsidy for COBRA continuation premiums for up to 9 months for workers who have been involuntarily terminated, and for their families. This subsidy also applies to health care continuation coverage if required by states for small employers. To qualify for premium assistance, a worker must be involuntarily terminated between September 1, 2008 and December 31, 2009. The subsidy would terminate upon offer of any new employer-sponsored health care coverage or Medicare eligibility. Workers who were involuntarily terminated between September 1, 2008 and enactment, but failed to initially elect COBRA because it was unaffordable, would be given an additional 60 days to elect COBRA and receive the subsidy. To ensure that this assistance is targeted at workers who are most in need, participants must attest that their same year income will not exceed \$125,000 for individuals and \$250,000 for families. *See* ARRA of 2009, Division B, Title III, Section 3001 (p. H.R. 1–341- H.R. 1–352). *More information is available from the United States Department of Labor at <http://www.dol.gov/ebsa/COBRA.html>; this Ropes & Gray article at <http://www.ropesgray.com/temporarycobrapremiumassistanceincludedineconomicstimulusbill/> and this Ballard Spahr Andrews & Ingersoll, LLP article at <http://www.ballardspahr.com/press/article.asp?ID=2385>.*

Tax Credits

- **Child Tax Credit (CTC):** The CTC is a federal tax credit worth up to \$1,000 per child to help offset the costs of raising children. ARRA lowers the floor of eligibility for 2009 and 2010 by enabling families with earned income of \$3,000 or more (down from \$8,500 in 2008) to receive a tax credit of 15% per dollar earned to a maximum level of \$1,000 for each child in the family. This credit is received by filing a tax return. *See* ARRA of 2009, Division B, Title I, Subtitle A, Part I, Section 1003 (p. H.R. 1–199), revises 26 U.S.C. § 24. *Information about CTC is available from the IRS at <http://www.irs.gov/taxtopics/tc606.html>.*

- **Earned Income Tax Credit (EITC):** EITC is a refundable federal income tax credit for low-income working individuals and families. ARRA temporarily increases the EITC for working families with three or more children from 40% to 45% of the family's first \$12,570 of earned income for 2009 and 2010. ARRA also increases the beginning point of the 2009 and 2010 phase out ranges for all married couples filing a joint return, regardless of the number of children by \$1,880. This credit is received by filing a tax return. *See* ARRA of 2009, Division B, Title I, Subtitle A, Part I, Section 1002 (p. H.R. 1-198), revises 26 U.S.C. § 32. *Information about EITC is available from the IRS at <http://www.irs.gov/individuals/article/0,,id=96406,00.html>.*

Aid to College/Post-secondary Students

- **Federal Pell Grants:** A Federal Pell Grant, unlike a loan, does not have to be repaid. Pell Grants are awarded usually only to undergraduate students who have not earned a bachelor's or a professional degree. College students qualifying for Pell grants will receive an increase of \$490 for a total of \$5,350 in assistance during award year 2009-2010 and an increase of \$690 for a total of \$5,550 in assistance during award year 2010-2011. *See* ARRA of 2009, Division A, Title VIII, Student Financial Assistance (p. H.R. 1-69) and Section 806 (p. H.R. 1-76); revises 20 U.S.C. § 1070a. *More information is available from the Federal Student Aid website of the United States Department of Education at <http://studentaid.ed.gov/PORTALSWebApp/students/english/PellGrants.jsp?tab=funding> and United States Department of Education website at <http://www.ed.gov/programs/fpg/index.html>.*
- **American Opportunity Tax Credit:** The ARRA increases the financial assistance for those seeking a college education. Families with qualifying college/post-secondary students can claim a tax credit of up to a maximum \$2,500 of the cost of tuition and related expenses paid during the taxable year for the 2009 and 2010 tax years. The tax credit applies to the first four years of post-secondary education and the allowed expenses include required books and other course materials in addition to tuition and fees. The \$2,500 tax credit amount is derived from taxpayers receiving a tax credit based on 100% of the first \$2,000 of tuition and related expenses paid during the taxable year and 25% of the next \$2,000 of tuition and related expenses paid during the taxable year. 40% of the credit would be refundable, meaning that low income families who do not owe taxes can get a payment of up to \$1000. 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). This credit is received by filing a tax return. *See* ARRA of 2009, Division B, Title I, Subtitle A, Part I, Section 1004 (p. H.R. 1-199 – H.R. 1-201), revises 26 U.S.C. § 25A.