

U.S. Chamber of Commerce

Economic Stimulus 101

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March 6, 2009

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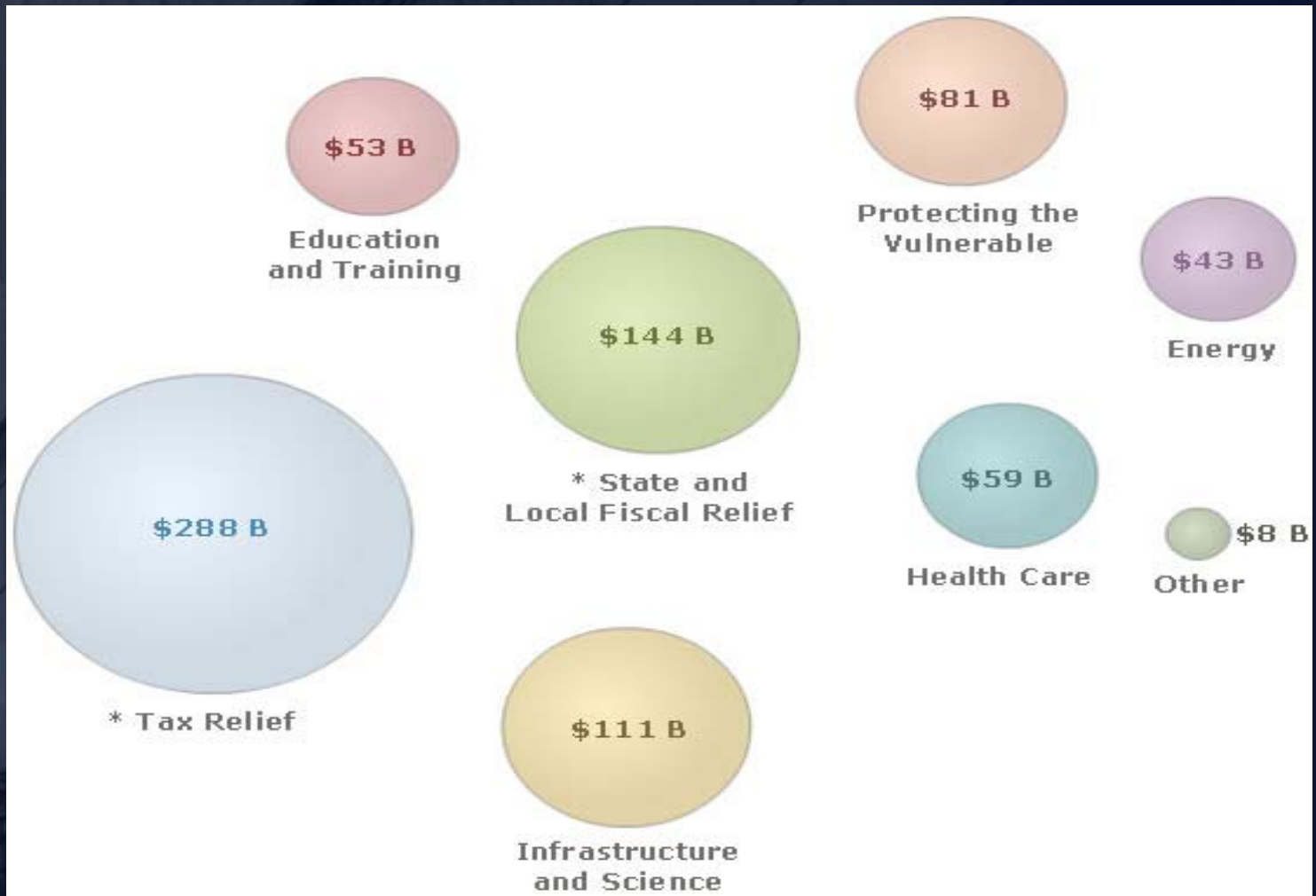
What is it?

*"The **American Recovery and Reinvestment Act** is an unprecedented effort to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century. The Recovery and Reinvestment Act is an extraordinary response to a crisis unlike any since the Great Depression. With much at stake, the Act provides for unprecedented levels of transparency and accountability so that you will be able to know how, when, and where your tax dollars are being spent. Spearheaded by a new Recovery Board, this Act contains built-in measures to root out waste, inefficiency, and unnecessary spending."*

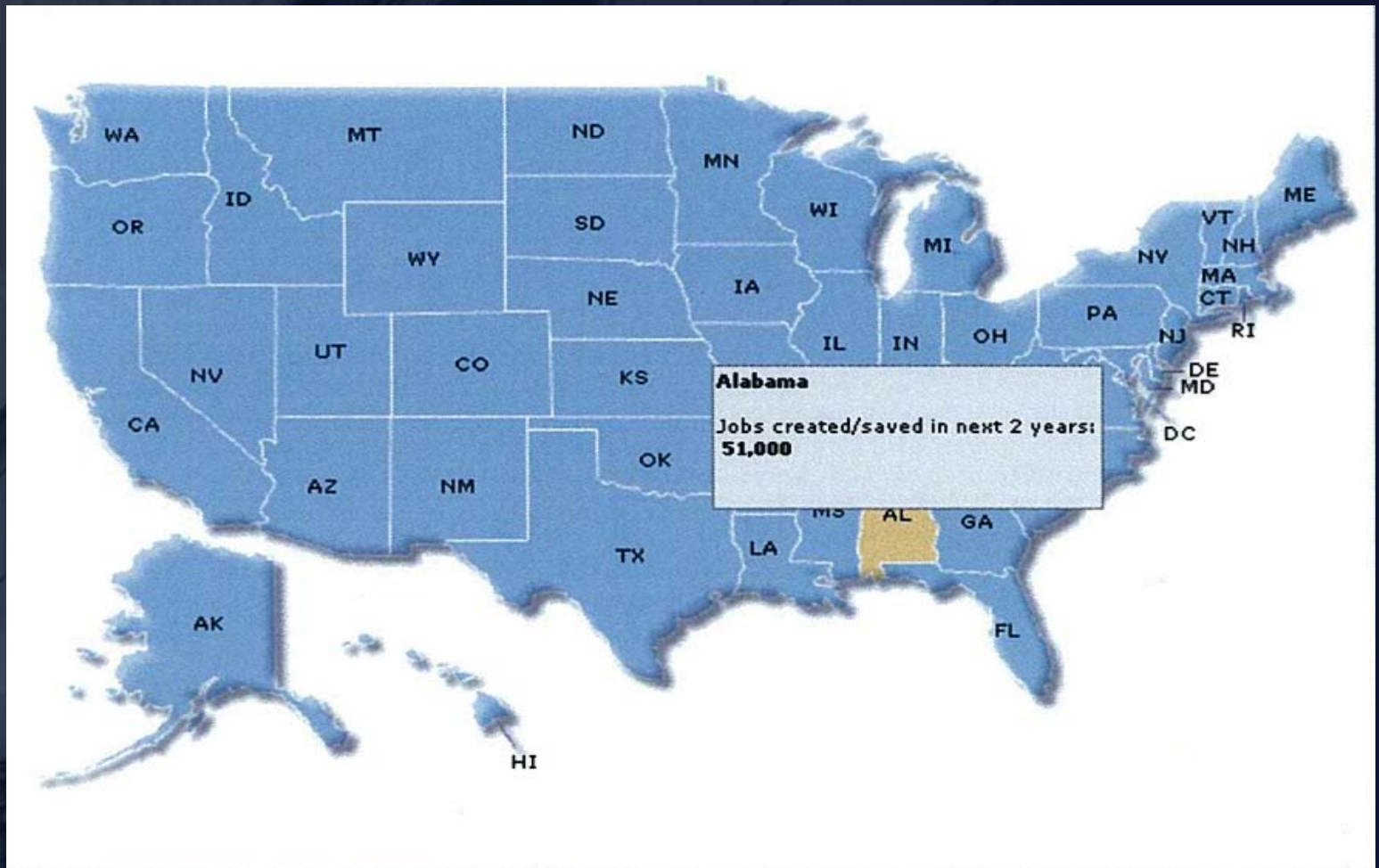
Website: www.recovery.gov



Where is your money going?



Job creation - Alabama



Source: Council of Economic Advisers

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Overview

The economy is in the worst decline since 1974-75, even worse than the 1980-82 downturn.

We need to boost demand by consumers, increase investment, and get the private sector working again.

Tax cuts for individuals will be spent and will contribute to demand. Government spending will boost demand and keep people working.

This bill is not perfect but is big enough to significantly improve the economy.

By working with Congress instead of opposing this package, we were able to make, in several instances, significant improvements for Chamber members and the economy.

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Sections of stimulus package

- Infrastructure
- Health care
- Trade
- Energy
- Tax provisions (individual & small business)
- Small business
- Education

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Infrastructure

- Construction programs including highways, bridges, tunnels, waterways, ports (approximately \$130B)
 - *CBO estimates that \$34.8B (11%) will be spent by Sept. 30 and \$110B by the end of 2010*
- FAA upgrades including airport power systems, traffic control, lighting equipment, navigation (\$200M)

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Health care (\$59 Billion)

- Widespread adoption of health IT (\$20B)
 - Incentives for usage by doctors, hospitals, and insurance carriers
- COBRA funding (65% of premiums for 9 months)
- Comparative Effectiveness (\$1.1B)
- Medicare/Medicaid (**Alabama \$169,785,318**)

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Trade (Buy America)

Buy America provision states:

No funds appropriated or made available by legislation may be used for a public building or public works unless iron, steel, and manufactured works are produced in U.S.

Does not apply if a federal agency or department finds:

- *Purchases would be inconsistent with public interest*
- *Good are not produced in the U.S. in sufficient and reasonable quantity and quality*
- *Increase the overall project cost by more than 25%*

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Energy

- Incentives for facilitating new forms of energy:
 - Clean Renewable Energy Bonds (\$1.6B)
- Conservation of energy:
 - Qualified Energy Conservation Bonds (\$2.4B)
- Tax credits for energy-efficient improvements to homes (\$1,500 cap)
- Tax credits for alternative refueling property (30% credit @ \$30,000 cap and 50% credit @ \$50,000 cap)

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Tax Provisions - Individuals

- “Making Work Pay” - Refundable tax credit (\$400 for individual and \$800 for couples - \$75,000 ind./\$150,000 couple cap)
- Unemployment benefits increased 13 weeks (First \$2,400 exempt from income taxes)
- First Time Home Buyer Tax Credit (Up to \$8,000)
- Tax deduction on vehicle purchases (Depends on vehicle value)
- Alternative Minimum Tax (One year patch)
- 529 savings plans

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Tax provisions – Small Business

- Extension of Bonus Depreciation
- Extension of small business expensing (Sec. 179)
- 5-year carry back of Net Operating Losses (Increased to 5 years from 2 years)
- Delayed recognition of certain Cancellation of Debt Income
- Small business capital gains (75% exclusion for individuals on gains from sales of certain business stock more than 5 years)
- S corporation tax relief

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Other Small Business Provisions

- Access to capital—lender user fees reduced to incentivize banks to lend and make funds more affordable for small businesses
- Increased government guaranteed percentage portion of SBA 7(a) loans and program changes to make easier sale of loans on secondary market—incentivizing banks to participate

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Education

- Increase funding for classroom education technology (\$1B)
- Recruitment and retention of new teachers through specialized training (\$50M)
- Increase Energy Department funding to increase research capacity for future generations (\$50M)
- American Opportunity Education Credit
- PELL grants

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Economic Stimulus – Alabama

Tax Provisions

- Providing an income tax cut for 1,770,000 Alabama workers and their families
- Offering first-time home buyers a refundable tax credit of up to \$8,000
- Providing all taxpayers with a deduction for state and local sales and excise taxes paid on the purchase of new cars, lights trucks, recreational vehicles or motorcycles in 2009

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Economic Stimulus – Alabama continued

Transportation/Infrastructure

- Funding \$560 million in Alabama state transportation projects and an additional \$107 million in local transportation projects

Education

- Providing funding sufficient to modernize at least 156 schools in Alabama
- Making 70,000 Alabama families eligible for a new American Opportunity Tax Credit to make college affordable

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Where do we go from here?

Currently, Congress working on \$410 Billion Omnibus legislation to finish this year's spending (FY09). This is the 9 remaining appropriations bills that Congress didn't finish last year.

Also, Congress is hoping to pass mortgage legislation that may allow judges to reduce mortgages or interest rates, also referred to as "cram down".

President Obama submitted his first budget to Congress last week (FY2010)

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Resources

www.recovery.gov

www.whitehouse.gov

www.uschamber.com

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