



Breakdown of the Stimulus Bill Passed by the Congress – February 13, 2009

Background – H.R. 1 – The Stimulus bill

The total bill cost of this bill is \$787 billion over a two year period. This analysis is based on business related parts of the bill and does not include issues relating to individuals such as extension of unemployment benefits, for example. The bill was divided into two major parts – spending and taxes. A common theme runs through all of the spending among the agencies— construction projects, renewable energy and green initiatives and updating information technology systems. There are eight major segments of the bill: (1) Energy, (2) Science and Technology; (3) Healthcare; (4) Education; (5) Infrastructure; (6) Taxes; (7) Assistance to the unemployed and (8) Accountability and transparency.

Tax Changes Affecting Businesses

1. Delay of the 3% withholding tax to businesses who sell goods and services to the federal, state and local governments to effective date of December 31, 2011.
2. Extends current Section 179 expensing and bonus depreciation rules for 2009.
3. Cuts the capital gains tax for investors in small businesses who hold stock for more than five years.
4. Up to a 5 year carryback of losses for small businesses under \$15 million in gross receipts
5. Reduction of safe harbor for annual estimated payments from 110% to 90%. This applies to most small businesses depending on the corporate structure.
6. Expands the Work Opportunity Tax Credit to include two additional groups: unemployed veterans and disconnected youths for two years.
7. Provides \$20 billion in tax incentives for renewable energy and energy efficiency over the next 10 years. Included are: a three year extension of the production tax credit for electricity derived from renewable sources, grants of up to 30% of the cost of building a new renewable energy facility, tax credits for home owners who make energy efficient purchase such as windows, doors, furnaces and establishes a new manufacturing investment tax credit for investment in advanced energy facilities who manufacture components for green technology.
8. For 2009, sets individual AMT exemption amounts at \$70,950, in the case of married individuals filing a joint return and surviving spouses; \$46,700 in the case of other unmarried individuals; and \$35,475 in the case of married individuals filing separate returns.

Where the Money Will Be Spent

1. **Information Technology.** \$20 billion will be spent on creating a nationwide system of electronic medical records. \$300 million will be given as grants to support regional health information exchanges- groups of hospitals or providers that have a system to share patient data electronically. Hospitals and doctors will be incentivized to have in place computerized patient records beginning in 2011. The Farm Service Agency will spend \$50 million in modernizing its computer system. SBA received \$20 million to automate its loan processing. \$85 million given to the Indian Health Services for health IT. Social Security Administration \$50 million for processing and IT improvements; Department of State \$290 million for IT security and upgrades.
2. **Energy.** \$30 billion to promote energy for a new smart power grid, advanced battery technology and energy efficiency measures such as weatherization, making federal buildings energy efficient. \$4 billion to finance loan guarantees for renewable energy projects.
3. **Infrastructure:** \$50 billion in direct funding from the Department of Transportation for highways, rail, bridges and other infrastructure projects. More than half will be spent on roads. \$1.1 billion in grants for airport improvements, \$8.4 billion for commuter transit and \$9.3 for Amtrak.
4. **Science.** More than \$15 billion will be devoted to scientific research. \$3 billion for basic research at the National Science Foundation, \$10 billion to the National Institutes of Health for research, \$1.6 billion for Department of Energy's Office of Science which funds nuclear physics, climate science, and biofuels. \$400 million for NASA's earth science research and supercomputing. \$580 million for NIST, including the technology innovation program and the manufacturing extension partnership.
5. **Military.** Most of the funds **will** go to construction projects such as modernization of facilities, military hospitals and medical facilities. In addition, the DOD will expand child care centers, modernizing and construction of military housing. \$350 million will be used for energy R&D and improving energy generation.
6. **Homeland Security.** \$1 billion for airport baggage screening equipment; \$420 million for building border checkpoints, \$300 million for port and rail security.
7. **Education.** \$100 billion for schools, universities and early childhood programs. \$53.6 billion will go to school construction/modernization.
8. **Environment.** This spending is in addition to the green energy related projects. \$6 billion for local water infrastructure improvements and \$1.4 in the forms of loans and grants for water and waste disposal facilities in rural areas. EPA will receive \$1.2 billion for cleanup of hazardous waste sites. The Fish and Wildlife Service will spend \$115 million to restore refuge habitats.
9. **SBA.** \$24 million for the technical assistance for the microloan program and \$25 million to improve the efficiency of SBA programs. \$15 million for the Surety Bond Revolving Fund program. Raises the surety bond limit up to \$5 million for small businesses and up to \$10 million with a waiver. \$6 million for Microloans and \$630 million for reducing loan fees and increased loan guarantees. 7(a) loan guarantees were raised to 90% and fees will be reduced for 7(a) and eliminated for 504 loans. The bill establishes a Secondary Market Guarantee Authority to provide a guarantee for 504 loans sold to third party investors. A

Business Stabilization program is established for the purpose of providing deferred loans to viable small businesses facing an immediate hardship.