



Update: American Recovery and Reinvestment Act

January 30, 2009

On Wednesday, January 28th, Congress took the first official step towards passing one of the largest stimulus measures in our nation's history. With a price tag of \$819 billion, this bill has the potential for major and long-lasting impact to our economy, but also presents new opportunities for increased capitalization for businesses, nonprofit organizations, school systems, health care providers, and state and local governments. It is estimated that the bill will provide over 100,000 jobs in Minnesota, and three to four million jobs across the country, over the next several years.

The House passed the American Recovery and Reinvestment Act (H.R. 1) by a vote of 244-188, and parallel legislation is slated to be taken up in the Senate early next week. Once the stimulus measure passes the Senate, the bill will return to the House for final vote before heading to the President's desk. The Obama administration has indicated a hope for final passage of the stimulus package by February 13, 2009.

We will continue to monitor the bill status, as well as any key amendments to the legislation, and provide updates on developments that could impact you or your business.

Key provisions in the House-passed legislation include:

Temporary Tax Breaks for Businesses

- Increased limitations on certain depreciable business assets
- Increase in net-operating loss carry back provisions from two years to five years (unless participating in the Troubled Asset Relief Fund)
- Additional tax credit for governmental bonds

Increased Education Funding

- \$6 billion for higher education modernization
- \$41 billion to local school districts through Title I (\$13 billion), IDEA (\$13 billion), a new School Modernization and Repair Program (\$14 billion), and the Education Technology program (\$1 billion)
- \$79 billion in state fiscal relief to prevent cutbacks to key services, including:
- \$39 billion to local school districts and public colleges and universities distributed through existing state and federal formulas
- \$15 billion to states as bonus grants as a reward for meeting key performance measures



- \$25 billion to states for other high-priority needs such as public safety and other critical services, which may include education

Increased Energy, Science, and Technology Funding

- \$32 billion for clean energy, distribution, and production systems to move toward renewable technology
- \$16 billion to repair public housing and make key energy efficiency retrofits
- \$6 billion to weatherize modest-income homes
- \$10 billion for science facilities, research, and instrumentation
- \$6 billion to expand broadband Internet access so businesses in rural and other underserved areas can participate in the global economy

Increased Transportation Funding

- \$30 billion for highway construction
- \$31 billion to modernize federal and other public infrastructure with investments that lead to long-term energy cost savings
- \$19 billion for clean water, flood control, and environmental restoration investments
- \$10 billion for transit and rail to reduce traffic congestion and gas consumption

Increased Health Care Funding

- \$20 billion for health information technology to prevent medical mistakes, provide better care to patients, and introduce cost-saving efficiencies
- \$4.1 billion to provide for preventive care and evaluate the most effective health care treatments
- Added coverage of COBRA to unemployed workers and retirees over age 55
- \$87 billion for a temporary increase in the Medicaid matching rate

Lower-income Tax Relief

- A payroll tax break of up to \$500 for individuals making less than \$75,000 or, in the case of a joint filing, up to \$1,000 for couples making less than \$150,000

Increased Unemployment Funding

- \$43 billion for increased unemployment benefits and job training
- \$39 billion to extend COBRA coverage for unemployed workers, with short-term options under Medicaid.
- \$20 billion to increase the food stamp benefit by over 13%