



## The Economic Stimulus Rebate

By now, most of you have heard something about the Economic Stimulus Rebate scheduled to appear in our checkbooks beginning in May.

Most of the people I have seen will receive the full rebate. The rebate package does severely limit or eliminate the rebate for larger incomes.

I suppose the idea is to put the money in the hands of those who need it most. Seems like good public policy and an efficient transfer of funds to me.

### The Basic Idea

First, you must owe taxes. Or if you don't owe taxes, you must have at least \$3,000 of income, including veteran's benefits and social security.

If you meet one of those two basic tests, you probably qualify for at least the minimum of \$300. The maximum is \$600 per person.

Most married couples therefore are looking forward to \$1,200 this summer.

Dependent children qualify for \$300 per qualifying child, paid not to the child but to the parent, guardian, or person claiming the child on their personal tax return.

Secondly, you must file a return. Sounds pretty basic, but we have a significant number of people in America who don't need to file returns.

Many retired people fall into this category. They have some income, particularly counting Social Security, but may not be required to file taxes.

Nevertheless, they are eligible for the Rebate. All they have to do is file a return showing no tax liability.

### A Few Twists

The magic number for having too much income is Adjusted Gross Income of \$150,000 for Married Filing Jointly or \$75,000 for Single individuals.

If you are blessed with an income greater than these thresholds, the Rebate disappears pretty quickly.

They calculate the difference between your income and the threshold, and multiply that difference by 5%.

That's the amount of the reduction in "your" \$600.

So if your Married Filing Joint income is \$160,000, you're \$10,000 over the threshold. 5% of \$10,000 is \$500, so your rebate is reduced to \$100.

This Rebate is a one-time good deal. It expires December 31, 2008. Thus, if you don't file your taxes this year, you'll lose the Rebate.

You're also going to get a second notice from IRS, and you'll need to keep that for the 2008 taxes that will be prepared in 2009.

Most of us won't need that second notice, but IRS warns us that the child tax credit part of the rebate may figure in the tax return.

Even so, this rebate is not taxable. It's not going to work like the state income tax refund, which is always taxable on the federal return. The literature says, "The amount is not includable in gross income and it does not otherwise reduce the amount of withholding."

### Something Substantial For Businesses

In a word, bonus depreciation is back for both small and large businesses.

We last saw bonus depreciation in the aftermath of 9-11. It's another way to stimulate economic growth.

Those of us who own and operate small businesses need to know about this one now.

Here's the idea. When you buy a fixed asset—usually something big and expensive, like a truck or a cement mixer or some computers—you "capitalize" that asset by putting it on your balance sheet.

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You then depreciate that asset over a number of years, often 5.

The 179 election is one card you can play. That's the one that lets you write off the entire asset in the year it was placed in service, rather than expense a portion every year for several years.

The bonus depreciation will be authorized in addition to the 179 expensing. I haven't seen all the rules yet, but here's what I do know.

It will apply to tangible property (stuff you can see, rather than intangible property such as a franchise fee, or a covenant not to compete).

The recovery period (depreciable lifetime) for this tangible property will be for up to 20 years. Practically speaking, that 20 years will handle anything a small business is likely to buy.

And finally, up to 50% of that property may be expensed with this bonus depreciation. That's a lot of depreciation, and it could save somebody a lot of taxes.

One thing to watch: this bonus depreciation is a federal tax relief, which may or may not be recognized at the state level.

