

America Recovery and Reinvestment Act
Tax Provisions – Impact on Georgia Tax Payers
(Impact in \$millions)

Section I – Impact on Federal Tax Obligations of Georgia Taxpayers

The American Recovery and Reinvestment Act has numerous provisions that will impact the federal tax obligations of Georgia taxpayers, both individual income taxpayers and corporate taxpayers. This document summarizes the expected benefits to Georgia taxpayers from these provisions.

Tax Relief for Individuals and Families

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Making Work Pay Credit	Individuals with earned income (income limit)	219	671	650
Temporarily increase the Earned Income Tax Credit	Low income working individuals	7	42	63
Temporary reduction of threshold for refundable EIC	Low income working individuals	22	134	200
American Opportunity Tax Credit	Individuals paying for college for family members (income limit)	21	77	107
Extension of First Time Home Buyer Credit	First time home buyers (income limit)	11	28	15
Exclude up to \$2,400 of Unemployment Benefits from Gross Income	Unemployed individuals receiving unemployment insurance benefits	34	95	61
Sales Tax deduction for purchase of new cars	Individuals purchasing new cars (income limit)	8	20	12
Increase individual AMT exemption amount to \$46,700 (\$70,950 joint) and allow personal credits	Individuals paying the federal Alternative Minimum tax	205	899	563
Recovery payments to recipients of SS, SSI, Railroad Retirement and Veterans Disability comp/pension	Individuals receiving these federal benefits	197	199	2
\$250 refundable credit for federal and state pensioners not eligible for SS benefits for 2009	Individuals as noted	1	3	2
<i>Total For Individuals and Families</i>		725	2,168	1,675

Energy Incentives

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Extend Placed in Service date for Section 45 qualified facility (renewable energy) to earn income tax credit (approx 1.8 cents per kwh)	Developers of Renewable Energy Facilities	2	7	15
Election of investment credit in lieu of production credit for Section 45 facilities	Developers of Renewable Energy Facilities	3	3	1
Modifies Section 48 tax credit for investment in certain energy using technologies (solar, fuel cells, small wind systems)	Property owners that invest in certain energy facilities	1	1	1
Increased limitation on issuance of new clean renewable energy bonds	Investors in clean energy	0	0	0
Increased limitation on issuance of qualified energy conservation bonds and clarifies green community programs		0	0	1
Extension and temporary increase in credit for all Section 25C nonbusiness property	Nonbusiness property owners that invest in certain types of energy properties	16	24	13
Credit for residential energy efficient property – remove cap on residential wind, geothermal, solar property under Section 25D; repeal reduction in all section 25D credits by reason of receipt of subsidized energy	Residential property owners that invest in certain energy efficient property	0	1	1
Temporary credit increase for nonhydrogen refueling property to 50%; increase max credit)	Investors in qualified refueling property	0	0	0
Modification of the alternative motor vehicle credit and the credit for qualified plugin electric drive motor vehicles	Buyers of qualified motor vehicles	0	1	1
Equalize taxfree transit and parking benefits, set both at \$230 in2009 and then index equally in 2010		2	2	0
<i>Total Impact Energy Incentives</i>		24	39	33

Tax Incentives for Business

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Extends the current law treatment of 50 percent bonus depreciation for assets with a life of 20 years or less generally through December 31, 2009 and through December 31, 2010 for certain long production assets. This provision also modifies the definition of qualified property to include passenger automobiles placed in services by December 31, 2009.	Investors in business property and equipment	349	444	16
One year extension of election to accelerate AMT and R&E credits in lieu of bonus depreciation	Investors in business property with R&E and AMT credits	1	58	40
Provides that the section 179 expensing deduction cannot exceed \$250,000 and that the maximum deductible expense must be reduced by the amount by which the cost of the 179 property exceeds \$800,000. This provision does not index the \$250,000/\$800,000 amounts for inflation and applies to the tax year beginning in 2009.	Investors in business property and equipment	7	8	-1
Allows taxpayers to elect a two, three, four, or five year carryback period for 2008 NOLs.	Business taxpayers	66	37	-20
Reduces estimated tax payments for individuals with AGI of less than \$500,000 and with more than 50 percent of gross income from a small business (defined to employ less than 500 persons) to no more than 90 percent of the previous year's tax liability.	Small business owners	4	-1	-3
Modifies the existing Work Opportunity Tax Credit to include two additional target groups, unemployed veterans and youth between the age of 16 and 25, not regularly attending secondary, technical, or postsecondary school, not regularly employed, and not readily employable by reason of lacking sufficient skills.	Unemployed veterans and disadvantaged youth	1	2	2
Allows taxpayers to elect to include debt discharge income on a prorata basis over a five year period, if the debt discharge income is from the reacquisition of an applicable debt instrument obtained between December 31, 2008 and before January 1, 2011.	Taxpayers who repurchase outstanding business debt	176	489	358
Increases the current law exclusion for qualified small business stock (QSBS) from 50 percent to 75 percent in the case of QSBS acquired after February 17, 2009 and before January 1, 2011.	Owners of qualified small business stock	0	0	0
Allows C corporations that converted to S corporation status in	Holders of S corporation stock	0	3	3

2002 and 2003 to recognize built in capital gains, which existed at the time of S corporation election, at the individual's tax rate instead of at the 35 percent corporate rate.				
Countermands the earlier IRS ruling of 200883 which allowed banks to deduct unlimited losses on loans, bad debts, or additions to bad debt reserves that were brought over by an acquisition bank in a merger or acquisition.	Banks involved in acquisitions or mergers	-22	-45	-31
Provides that the section 382 limitation on losses does not apply to certain ownership changes.	Certain companies that are forced to restructure as part of a federal loan agreement	0	0	0
Total Impact Incentives for Business		582	995	364

Manufacturing Recovery Provisions

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Expands industrial development bonds to include creation of intangible property and eliminates 25% of proceeds restriction for facilities functionally related and subordinate to a manufacturing facility	Industrial development bondholders	0	0	0
Credit for investment in advanced energy property (\$2.3 billion credits to allocate)	Investors in facilities involved in alternative energy production	0	4	9
Total Impact Manufacturing Recovery Provisions		0	4	9

Economic Recovery Tools

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Recovery zone bonds (\$15 billion private activity bond allocation; \$10 billion allocation for refundable issuer credit bonds, credit rate=45%)	Private activity bondholders	3	8	13
Create a national pool of taxexempt bonds for use by Indian Tribes for economic development (\$2 billion allocation)	Native American tribal governments	0	0	0
Extend and modify the new markets tax credit by increasing new market tax credit equity limitation to a total of \$5 billion for calendar year 2008 and 2009.	Investors in a qualified community development entity	1	1	1
Total Economic Recovery Tools		4	9	14

Infrastructure Financing Tools

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Modification of rules applicable to financial institutions for interest expense relating to tax exempt income	Financial institutions holding taxexempt obligations	2	8	13
For bonds issued during 2009 and 2010, suspend alternative minimum tax limitations on private activity tax exempt bonds and modify ACE to exclude interest from all tax exempt bonds; and provide AMT relief for current refunding of certain private activity bonds during 2009 and 2010 (refunding of private activity bonds issued since 1/1/04)	Certain taxexempt bondholders paying AMT	0	1	2
Modify speed requirement for high speed rail exempt facility bonds	Owners of highspeed rail bonds	0	0	0
Delay 3% withholding on government contracts by one year	Individuals with government contracts	0	0	0
Qualified school construction bonds are created as new category of tax credit bond (\$11 billion in 2009 and 2010)	School construction bondholders	0	3	8
Extend and expand qualified zone academy bonds (\$1.4 billion in 2009 and 2010)	Qualified zone academy bondholders	0	0	1
Create Build America bonds, 35% credit to bondholders for bonds issued in 2009 and 2010, 35% refundable credit to issuers for bonds issued in 2009 and 2010	Build America bondholders	1	7	13
Specify treatment of tax credit bonds held by regulated investment companies	Investors in RICs and REITs holding tax credit bonds	No Revenue Effect		
Total Impact Infrastructure Financing Tools		3	19	37

Other Provisions

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Grant to states for low income housing projects in lieu of low income housing credit	Grant in lieu of credit	--	-	-
Grants for specified energy property in lieu of tax credits	Grant in lieu of credit	-	-	-
Total Impact Other Provisions		-	-	-

Tax Provisions Contained in Other Titles

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Modifications to Health Coverage Tax Credit, including increase to 80%		2	5	4
Premium assistance for COBRA continuation coverage for unemployed workers and their families. 65% subsidy for up to 9 months; phase out for taxpayers with AGI above \$125,000 single (\$250,000 joint)		266	387	140
<i>Total Impact Other Provisions</i>		268	392	144
<i>Grand Total of All Provisions</i>		1,606	3,626	2,276

America Recovery and Reinvestment Act
Tax Provisions – Potential Impact on Georgia Tax Revenues
(Potential Impact in \$millions)

Section II – Potential Impact on Georgia Tax Revenues

The American Recovery and Reinvestment Act has numerous provisions that will impact the federal tax obligations of Georgia taxpayers, both individual income taxpayers and corporate taxpayers. During each legislative session, the Georgia General Assembly has the opportunity to adjust Georgia’s tax code to adopt any or all of the changes that the US Congress has made to the IRS code. If the Georgia tax code is adjusted to adopt these provisions, it would have an impact on Georgia’s tax revenues.

This table summarizes the expected impact on Georgia individual and corporate income tax revenues from the various provisions. In general, it was assumed that Georgia would not conform to changes in federal credits; thus, no revenue impact is reported for credits. Other provisions may or may not be adopted in Georgia’s tax code.

Note that these potential impacts will occur only if the General Assembly acts to adopt these provisions into Georgia’s tax code.

Tax Relief for Individuals and Families

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Making Work Pay Credit	Individuals with earned income (income limit)			
Temporarily increase the Earned Income Tax Credit	Low income working individuals			
Temporary reduction of threshold for refundable EIC	Low income working individuals			
American Opportunity Tax Credit	Individuals paying for college for family members (income limit)			
Extension of First Time Home Buyer Credit	First time home buyers (income limit)			
Exclude up to \$2,400 of Unemployment Benefits from Gross Income	Unemployed individuals receiving unemployment insurance benefits	-9	-17	0
Sales Tax deduction for purchase of new cars	Individuals purchasing new cars (income limit)	-2	-3	0
Increase individual AMT exemption amount to \$46,700 (\$70,950 joint) and allow personal credits	Individuals paying the federal Alternative Minimum tax			
Recovery payments to recipients of SS, SSI, Railroad Retirement and Veterans Disability comp/pension	Individuals receiving these federal benefits			
\$250 refundable credit for federal and state pensioners not eligible for SS benefits for 2009	Individuals as noted			
<i>Total For Individuals and Families</i>		-11	-20	0

Energy Incentives

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Extend Placed in Service date for Section 45 qualified facility (renewable energy) to earn income tax credit (approx 1.8 cents per kwh)	Developers of Renewable Energy Facilities			
Election of investment credit in lieu of production credit for Section 45 facilities	Developers of Renewable Energy Facilities			
Modifies Section 48 tax credit for investment in certain energy using technologies (solar, fuel cells, small wind systems)	Property owners that invest in certain energy facilities			
Increased limitation on issuance of new clean renewable energy bonds	Investors in clean energy			
Increased limitation on issuance of qualified energy				

conservation bonds and clarifies green community programs				
Extension and temporary increase in credit for all Section 25C nonbusiness property	Nonbusiness property owners that invest in certain types of energy properties			
Credit for residential energy efficient property – remove cap on residential wind, geothermal, solar property under Section 25D; repeal reduction in all section 25D credits by reason of receipt of subsidized energy	Residential property owners that invest in certain energy efficient property			
Temporary credit increase for nonhydrogen refueling property to 50%; increase max credit)	Investors in qualified refueling property			
Modification of the alternative motor vehicle credit and the credit for qualified plugin electric drive motor vehicles	Buyers of qualified motor vehicles			
Equalize taxfree transit and parking benefits, set both at \$230 in 2009 and then index equally in 2010				
Total Impact Energy Incentives		0	0	0

Tax Incentives for Business

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Extends the current law treatment of 50 percent bonus depreciation for assets with a life of 20 years or less generally through December 31, 2009 and through December 31, 2010 for certain long production assets. This provision also modifies the definition of qualified property to include passenger automobiles placed in services by December 31, 2009.	Investors in business property and equipment	-84	-118	-4
One year extension of election to accelerate AMT and R&E credits in lieu of bonus depreciation	Investors in business property with R&E and AMT credits	-1	-2	-2
Provides that the section 179 expensing deduction cannot exceed \$250,000 and that the maximum deductible expense must be reduced by the amount by which the cost of the 179 property exceeds \$800,000. This provision does not index the \$250,000/\$800,000 amounts for inflation and applies to the tax year beginning in 2009.	Investors in business property and equipment	-2	-2	0
Allows taxpayers to elect a two, three, four, or five year carryback period for 2008 NOLs.	Business taxpayers	-13	-10	5
Reduces estimated tax payments for individuals with AGI of less than \$500,000 and with more than 50 percent of gross income from a small business (defined to employ less than 500 persons) to no more than 90 percent of the previous year's tax	Small business owners	0	0	0

liability.				
Modifies the existing Work Opportunity Tax Credit to include two additional target groups, unemployed veterans and youth between the age of 16 and 25, not regularly attending secondary, technical, or postsecondary school, not regularly employed, and not readily employable by reason of lacking sufficient skills.	Unemployed veterans and disadvantaged youth	0	0	0
Allows taxpayers to elect to include debt discharge income on a prorata basis over a five year period, if the debt discharge income is from the reacquisition of an applicable debt instrument obtained between December 31, 2008 and before January 1, 2011.	Taxpayers who repurchase outstanding business debt	-57	-131	-96
Increases the current law exclusion for qualified small business stock (QSBS) from 50 percent to 75 percent in the case of QSBS acquired after February 17, 2009 and before January 1, 2011.	Owners of qualified small business stock	0	0	0
Allows C corporations that converted to S corporation status in 2002 and 2003 to recognize built in capital gains, which existed at the time of S corporation election, at the individual's tax rate instead of at the 35 percent corporate rate.	Holders of S corporation stock	0	-1	-1
Countermands the earlier IRS ruling of 200883 which allowed banks to deduct unlimited losses on loans, bad debts, or additions to bad debt reserves that were brought over by an acquisition bank in a merger or acquisition.	Banks involved in acquisitions or mergers	6	12	8
Provides that the section 382 limitation on losses does not apply to certain ownership changes.	Certain companies that are forced to restructure as part of a federal loan agreement	0	0	0
Total Impact Incentives for Business		-151	-252	-90

Manufacturing Recovery Provisions

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Expands industrial development bonds to include creation of intangible property and eliminates 25% of proceeds restriction for facilities functionally related and subordinate to a manufacturing facility	Industrial development bondholders	0	0	0
Credit for investment in advanced energy property (\$2.3 billion credits to allocate)	Investors in facilities involved in alternative energy production	0	0	0
Total Impact Manufacturing Recovery Provisions		0	0	0

Economic Recovery Tools

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Recovery zone bonds (\$15 billion private activity bond allocation; \$10 billion allocation for refundable issuer credit bonds, credit rate=45%)	Private activity bondholders	0	0	0
Create a national pool of taxexempt bonds for use by Indian Tribes for economic development (\$2 billion allocation)	Native American tribal governments	0	0	0
Extend and modify the new markets tax credit by increasing new market tax credit equity limitation to a total of \$5 billion for calendar year 2008 and 2009.	Investors in a qualified community development entity	0	0	0
Total Economic Recovery Tools		0	0	0

Infrastructure Financing Tools

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Modification of rules applicable to financial institutions for interest expense relating to tax exempt income	Financial institutions holding taxexempt obligations	-1	-2	-3
For bonds issued during 2009 and 2010, suspend alternative minimum tax limitations on private activity tax exempt bonds and modify ACE to exclude interest from all tax exempt bonds; and provide AMT relief for current refunding of certain private activity bonds during 2009 and 2010 (refunding of private activity bonds issued since 1/1/04)	Certain taxexempt bondholders paying AMT	0	0	0
Modify speed requirement for high speed rail exempt facility bonds	Owners of highspeed rail bonds	0	0	0
Delay 3% withholding on government contracts by one year	Individuals with government contracts	0	0	0
Qualified school construction bonds are created as new category of tax credit bond (\$11 billion in 2009 and 2010)	School construction bondholders	0	0	0
Extend and expand qualified zone academy bonds (\$1.4 billion in 2009 and 2010)	Qualified zone academy bondholders	0	0	0
Create Build America bonds, 35% credit to bondholders for bonds issued in 2009 and 2010, 35% refundable credit to	Build America bondholders	0	0	0

issuers for bonds issued in 2009 and 2010				
Specify treatment of tax credit bonds held by regulated investment companies	Investors in RICs and REITs holding tax credit bonds	No Revenue Effect		
Total Impact Infrastructure Financing Tools		-1	-2	-3

Other Provisions

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Grant to states for low income housing projects in lieu of low income housing credit	Grant in lieu of credit	--	-	-
Grants for specified energy property in lieu of tax credits	Grant in lieu of credit	-	-	-
Total Impact Other Provisions		-	-	-

Tax Provisions Contained in Other Titles

Provision	Georgia Taxpayers Affected	Expected Impact on Georgia Taxpayers		
		FY 2009	FY 2010	FY 2011
Modifications to Health Coverage Tax Credit, including increase to 80%		--	-	-
Premium assistance for COBRA continuation coverage for unemployed workers and their families. 65% subsidy for up to 9 months; phase out for taxpayers with AGI above \$125,000 single (\$250,000 joint)		--	-	-
Total Impact Other Provisions		--	-	-
Grand Total of All Provisions		-163	-274	-93