

NJ Tax Relief under the “American Recovery Reinvestment Act”

Bonus depreciation

Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately **write-off fifty percent of the cost of depreciable property** (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. The ARRA would extend this temporary benefit for capital expenditures incurred in 2009.

5-year carry back of net operating losses

Under current law, net operating losses may be carried back to the two years before the year that the loss arises (the “carry back period”) and carried forward to each of the succeeding twenty years after the year that the loss arises (the “carry forward period”). For 2008 and 2009, the ARRA would **extend the maximum carry back period for net operating losses from two years to five years**. This benefit is only available to companies with **gross receipts of \$15 million or less**.

Extension of increased small business expensing

Small business taxpayers may elect to **write-off the cost of these expenses in the year of acquisition** in lieu of recovering these costs over time through depreciation. Until the end of **2010, small business taxpayers are allowed to write-off up to \$125,000 (indexed for inflation) of capital expenditures** subject to a phase-out once capital expenditures exceed \$500,000 (indexed for inflation). Last year, Congress temporarily increased the amount that small businesses could write-off for capital expenditures incurred in 2008 to \$250,000 and increased the phase-out threshold for 2008 to \$800,000. The ARRA would extend these temporary increases for capital expenditures incurred in 2009.

Expand work opportunity tax credit for disconnected youth and unemployed, recently-discharged veterans

Under current law, businesses are allowed to **claim a work opportunity tax credit equal to 40 percent** of the first \$6,000 of wages paid to employees of one of nine targeted groups. The ARRA would create two new targeted groups of prospective employees: (1) unemployed veterans; and (2) disconnected youth. An individual would qualify as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during 2008, 2009 or 2010 and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.

Prospectively repeal Treasury Section 382 ruling

Last year, the Treasury Department issued Notice 2008-83, which liberalized rules in the tax code that are intended to prevent taxpayers that acquire companies from claiming losses that were incurred by the acquired company prior to the taxpayer's ownership of the company. The ARRA would repeal this Notice prospectively.

Sales Tax Deduction for Vehicle Purchases.

The ARRA provides all taxpayers with a **deduction for State and local sales and excise taxes paid on the purchase of new cars**, light truck, recreational vehicles, and motorcycles through 2009. This deduction is subject to a **phase-out for taxpayers** with adjusted gross income in **excess of \$125,000** (\$250,000 in the case of a joint return).

Temporary suspension of taxation of unemployment benefits.

Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately \$300 per month. The proposal **temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient**. Any unemployment benefits over \$2,400 will be subject to federal income tax. This proposal is in effect for taxable year 2009.

Extension of AMT relief for 2009.

The ARRA would provide more than 26 million families with tax relief in 2009 by extending **AMT relief for nonrefundable personal credits** and increasing the AMT exemption amount by \$70,950 for joint filers and \$46,700 for individuals.