

PRESS INFORMATION

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Liberty Tax Examines the American Recovery and Reinvestment Act of 2009
Economic Stimulus Package

What Are the Tax Consequences for Individual Taxpayers?

National City, CA- Of the new \$787 billion dollar American Recovery and Reinvestment Act of 2009, approximately 35 %, or \$288 billion dollars is earmarked for tax relief measures that will affect 95% of the U.S. population.

“The packages includes tax saving breaks for families, education, and for big-ticket items like cars and first-home purchases,” said R.G. Reyes, Owner/President, of Liberty Tax Service in National City and Chula Vista.

Other highlights include:

Credit for Workers: A refundable tax credit of up to \$400-per-worker for lower- and middle-income working taxpayers and up to \$800 for working couples.

Payments to Recipients of Social Security, SSI, Railroad Retirement and Veteran’s Disability and Certain Federal and State Pension: These taxpayers will receive a payment of \$250 but, if also eligible, the \$400 credit will be reduced by this amount.

Earned Income Credit Increase: Earned income credit amounts will be increased for working families with three or more children.

Changes to the Additional Child Tax Credit: The floor of the refundable portion of the child tax credit is reduced from \$8,500 to \$3,000 for 2009 and 2010.

Increased Incentives for First-Time Home Buyers: First-time home buyers will be able to claim a credit of \$8000 for homes bought after January 1, 2009. The bill removes the prohibition on financing by mortgage revenue bonds. This credit will not need to be repaid unless the home is sold within three years of purchase.

A Tax Break for Buying a Vehicle: Car buyers will be able to deduct the sales and excise taxes they pay on a new vehicle or motorcycle, but not the interest on their car loans.

Some Taxes Waived for the Unemployed: For 2009, out-of-work Americans may exclude up to \$2,400 of unemployment benefits when reporting income for federal income tax purposes. Benefits exceeding that amount will still be subject to tax.

Education Tax Credit: A new education tax credit will allow up to \$2,500 of the cost of college tuition and related expenses. Forty percent of that credit will be refundable.

More College Expenses Allowed with 529 Plans: Computers will be allowed as qualified purchases paid by 529 college savings plans.

Alternative Minimum Tax (AMT): Another key component is more AMT relief for millions of Americans. For 2009, the bill will extend the AMT relief for nonrefundable credits and increase the AMT exemption amount. The AMT exemption amount is increased to \$46,700 for individuals and \$70,950 for joint filers.

Small Businesses Will Have Increases for Allowed Section 179 Expenses through 2009: Bonus depreciation will also be extended.

Net Operating Losses for Small Businesses: Businesses with gross receipts of \$15 million or less can carry losses back to 5 years before the year of the loss.

More Incentives for Residential Energy Improvements: The amount of the tax credit is increased to 30% of the amount paid for qualifying energy improvements with a cap of \$1,500 on all property qualifying for the credit.

Incentives for Fuel Efficient Plug-in Cars: There's a credit for some "plug-in" cars and conversion kits.

About Liberty Tax Service

Liberty Tax Service is the fastest growing retail tax preparation company in the Industry's history, with over 3,000 offices in the United States and Canada. Founded in 1997 by CEO John T. Hewitt, a pioneer in the tax industry, Liberty Tax Service has prepared over 6,000,000 individual income tax returns. With 40 years of tax industry experience, Hewitt stands as the most experienced CEO in the tax preparation business, having also founded Jackson Hewitt Tax Service (**NYSE: JTX**).

Liberty Tax Service (www.libertytax.com) provides computerized income tax preparation, electronic filing, refund loans, and online filing through eSmart Tax at www.esmarttax.com. Each office offers customers audit assistance, a money back guarantee, and free tax return checking. The Liberty Tax Service franchise opportunity has climbed to #3 on the latest *Entrepreneur* "Franchise 500."

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