



CREDITS AND INCENTIVES

The American Recovery and Reinvestment Act of 2009

On February 17, President Obama signed The American Recovery and Reinvestment Act (ARRA) of 2009. This law includes credits and incentives that may impact your business.

For more information, please contact First Advantage at 800.669.6005 or e-mail tax@fadv.com.

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ARRA creates two new categories of targeted groups. These categories apply to 2009 and 2010 hires.

Unemployed veteran: discharged from active duty during the five-year period ending upon hiring date and received unemployment compensation for at least four weeks during the year prior to being hired.

Disconnected youth: must be at least 16 but have not reached 25 years of age on his or her hiring date, lacks basic skills that would make him/her employable, and during the six-month period prior to hiring date, the employee must not have been regularly employed nor attending secondary, technical, or post-secondary school. The Conference Committee Report intends that a low-level of formal education satisfies the requirement of lacking basic skills.

COBRA Credit

COBRA health insurance coverage elected by individuals who are involuntarily separated from employment between September 1, 2008 and January 1, 2010 is at a former employee cost of 35% of premiums. Former employers must pay the remaining 65% of the premium and are eligible for a corresponding credit against wage withholdings and payroll taxes. This credit applies to premiums for a period of coverage beginning February 17, 2009.

Industrial Development Bond Financing – Temporarily expands the definition of manufacturing facility to include facilities used in the creation or production of intangible property or facilities that are functionally related and subordinate to a manufacturing facility, if located on the same site as the manufacturing facility. Also removes the 25% net proceeds restriction from bonds issued to finance such facilities. Applies to obligations issued between February 17, 2009 and January 1, 2011.

Recovery Zone Economic Development Bonds – Authorizes counties and large municipalities in states impacted by declining employment to issue \$10 billion in recovery zone economic development bonds. The bonds must be used for economic development purposes, such as construction of public facilities and infrastructure or job training and educational programs. \$15 billion is authorized for recovery zone facility bonds. Applies to obligations issued after February 17, 2009.

New Markets Credit – Expanded to increase the maximum amount of qualified equity investments from \$3.5 billion to \$5 billion for calendar years 2008 and 2009.

This information is intended to provide a brief synopsis of recent developments in federal and state tax credits and incentives and is intended to be informational only. Because the matters described above are complicated in nature, the reader should seek appropriate legal or other professional outside counsel for a more complete explanation prior to acting on the information contained in this document. Any advice contained in this document is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under applicable federal, state or local tax law.



Tribal Bonds – Allows Indian Tribal Governments to issue tax exempt bonds for economic development projects without the essential government function restriction. The bonds do not apply to the financing of Class II or III gaming facilities, including casinos. Effective for obligations issued after February 17, 2009.

Renewable Electricity Production Tax Credit – The credit for production of electricity from certain renewable energy resources is extended for property placed in service between 2009 and 2013 (2012 for wind-related energy property). Resources include wind, closed-loop biomass, open-loop biomass, geothermal or solar energy, small irrigation power, municipal solid waste, and specific other sources.

Renewable Energy Investment Tax Credit (“ITC”) – A 30% credit is available in lieu of the production credit for facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, hydropower, landfill gas, waste-to-energy, marine renewable energy, and specific other sources for property placed in service between 2009 and 2013 (2012, for wind-related energy property). The cap on the ITC for small wind energy property, formerly \$4,000, has been removed applicable to periods after December 31, 2008.

Renewable Energy Facility Grant – Authorizes the Treasury Department to award grants equal to 30% of qualified property basis in lieu of the renewable electricity production and investment tax credits. Grant applications must be submitted before October 1, 2011.

Alternative refueling property tax credit – Increased to 50% for qualified non-hydrogen-related property placed in service during taxable years beginning during 2009 and 2010. The maximum dollar amount of the credit for such non-hydrogen-related property, which is subject to an allowance for depreciation, increases to \$50,000. The credit for hydrogen-related property remains at 30%, with a cap increased to \$200,000.

Subsidized Energy Financing – Basis reduction no longer required to claim an energy credit for property financed by subsidized energy financing or private activity bonds.

Other Noteworthy Items

- Code Section 382: Treasury Notice 2008-83 Repealed
- NOL Carryback Rules for Small Businesses: Expanded
- Estimated Tax Payments for Small Businesses: Reduced
- Bonus Depreciation Regarding Alternative Minimum Tax and Research and Development Credits: Acceleration Extended for One Year
- Transit Benefit Amounts to Employees: Increased

About First Advantage Tax Consulting Services

First Advantage Tax Consulting Services develops and implements strategies to reduce your tax liabilities, including the Work Opportunity Tax Credit and other employment-related incentives, location-based credits and grants, training grants, and economic incentive services.

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