

The American Recovery and Reinvestment Act of 2009 (HR 1)

The following is a high-level summary of the provisions in the conference agreement on the economic stimulus package (HR 1) that would be of particular interest to state courts and state court employees.

HR 1 and report text (explanatory statement) are on the House Rules website: http://www.rules.house.gov/bills_details.aspx?NewsID=4149.

The appropriated funds are to be available until September 30, 2010.

The House approved HR 1 by a vote of 246-183. The Senate is scheduled to take up the bill tonight.

Division A - Appropriation Provisions

State and Local Government Aid

Law Enforcement/Justice Funding - The agreement appropriates \$2.8 billion for state and local law enforcement assistance. Of that total, \$2 billion is for the Edward Byrne Memorial Justice Assistance Grant Program, which awards grants to states for use by state and local governments for criminal justice programs. The agreement also provides \$1 billion for the Community Oriented Policing Services Program, which provides grants to states to implement law enforcement and crime prevention strategies that involve community support and to hire additional law enforcement officers. The following is a more detailed breakdown of the funding.

- \$2 billion for the Byrne JAG formula grant program: State courts have received funding under Byrne JAG for special purpose courts, training for judges, court technology improvements and for other purposes. The JAG formula includes a State allocation consisting of a minimum base allocation with the remaining amount determined on a population and Part 1 violent crime statistics, and a direct allocation to units of local government. Once the State allocation is calculated, 60% of the funding is awarded to the State and 40% to the eligible units of local government. State allocations also have a mandatory "pass through" requirement to locals, calculated by the Bureau of Justice Statistics (BJS) from each State's crime expenditures. There is no match required at the Federal level although States and units of local government may require match from sub-grantees.
- \$225 million for Byrne competitive grants to prevent crime, improve the administration of justice, provide services to victims of crime, support critical nurturing and mentoring of at-risk children and youth, and for other similar activities. In the past, Byrne competitive funds have been usually distributed by the Office of Justice Programs (OJP) of the Department of Justice with an accompanying national solicitation in the Federal Register;

- \$225 million for Violence Against Women programs, of which \$175 million is for the STOP grant program and \$50 million is for the transitional housing assistance grants program. Note: under current law, there is a 5% set aside for STOP grants to go to state courts;
- \$1 billion for the COPS Office for the hiring and rehiring of additional career law enforcement officers and civilian public safety personnel. The agreement waives the 25% local match and the \$75,000 per officer cap;
- \$40 million for competitive grants to provide assistance and equipment to local law enforcement along the Southern border and in High-Intensity Drug Trafficking Areas to combat criminal narcotics activity stemming from the Southern border, of which \$10 million shall be for ATF's Project Gunrunner;
- \$225 million for Indian Country grants to assist American Indian and Alaska Native tribes;
- \$100 million to be distributed by the Office for Victims of Crime to support state compensation and assistance programs for victims and survivors of domestic violence, sexual assault, child abuse, drunk driving, homicide, and other federal and state crimes;
- \$125 million for competitive grants to assist law enforcement in rural areas to combat the persistent problems of drug-related crime in rural America, including for the hiring of police officers and for community drug prevention and treatment programs; and
- \$50 million for Internet Crimes Against Children initiatives.

The Department of Justice will be required to submit a spending plan to the Congress within 60 days of enactment of HR 1.

Energy Efficiency Programs

Energy Efficiency Block Grants

The agreement appropriates \$3.2 billion for the Energy Department's Energy Efficiency Block Grant Program. The program, which was authorized by the 2007 Energy Independence and Security Act (PL 110-140), provides grants to state, local, and tribal governments to fund public facility renovation projects that would install more energy efficient building technologies and materials, and energy efficient technology demonstration projects.

Health

COBRA - Under current law, workers who become unemployed can temporarily continue the health coverage previously provided by their employers by paying the full cost of the insurance premiums, under a program known as COBRA.

The conference agreement provides for a 65% federal subsidy for health insurance premiums under COBRA for up to nine months for workers (and their families) who have been involuntarily terminated. To qualify for premium assistance, a worker must have been involuntarily terminated between September 1, 2008 and December 31, 2009.

Division B - Tax Provisions

Assistance for State and Local Government

Temporary Resumption of Prior Child Support Law – For the period that begins on October 1, 2008 and ends September 30, 2010, the agreement allows states to use state-earned federal child support enforcement incentive payments as state matching funds for purposes of recouping the federal share of child support enforcement program administrative costs.

One-Year Delay of Implementation of Withholding on Government Contractors - For payments made after Dec. 31, 2010, current law requires withholding at a 3% rate on certain payments to individuals providing property or services made by federal, state, and local governments. The withholding is required regardless of whether the government entity making the payment is the recipient of the property or services (those with less than \$100 million in annual expenditures for property or services are exempt). The agreement delays the 3% withholding tax on payments to businesses that sell goods or services to governments for one year, through Dec. 31, 2011. The delay would provide time for the Treasury Department to study the impact on this provision on government entities and other taxpayers.

New Tax Credit Bonds for Government Infrastructure Projects - The agreement provides new tax credit bonds for government infrastructure projects, instead of a tax-exempt government obligation bond, for 2009 and 2010. It allows the state or local government to elect to receive a direct payment from the federal government equal to the subsidy that would have otherwise been delivered through the federal tax credit for bonds.

TANF Funding – The agreement includes \$2.5 billion for a temporary Temporary Assistance for Needy Families (TANF) Contingency Fund that will provide states with relief during this recession. \$319 million is included in the agreement to extend TANF Supplemental grants, which would provide additional assistance to qualifying states with high population growth and/or increased poverty at the same amount awarded in FY 2009.

Tax Relief for Individuals

“Making Work Pay” Tax Credit – The agreement establishes a new "Making Work Pay" tax credit for 2009 and 2010 that would be worth up to \$400 for individuals and \$800 for spouses filing jointly. This provision is projected to cut taxes for more than 95% of working families in the United States. The credit would be worth 6.2% of earned income. It would phase out for taxpayers with adjusted gross income in excess of \$75,000, or adjusted gross income in excess of \$150,000 for married couples filing jointly. The available credit would be reduced by 2% of the income that exceeds the \$75,000 or \$150,000 amount. The credit could either be claimed on tax returns or by reducing the amount of taxes that are withheld from paychecks.

Refundable Credit for Certain Federal and State Pensioners - The agreement provides a one-time refundable tax credit of \$250 in 2009 to government retirees who are not eligible for Social Security benefits. This one-time credit is a reduction to any allowable Making Work Pay credit.

Increase in Earned Income Tax Credit - The agreement would temporarily increase the earned income tax credit for working families with three or more children. Under current law, working families with two or more children currently qualify for an earned income tax credit equal to forty percent (40%) of the family's first \$12,570 of earned income. This credit is subject to a phase-out for working families with adjusted gross income in excess of \$16,420 (\$19,540 for married couples filing jointly). The bill would increase the earned income tax credit to forty-five percent (45%) of the family's first \$12,570 of earned income for families with three or more children and would increase the beginning point of the phase-out range for all married couples filing a joint return (regardless of the number of children) by \$1,880.

Increase Eligibility for the Refundable Portion of Child Credit - The agreement would increase the eligibility for the refundable child tax credit in 2009 and 2010. For 2008, the child tax credit is refundable to the extent of 15 percent of the taxpayer's earned income in excess of \$8,500. The bill would reduce this floor for 2009 and 2010 to \$3,000.

“American Opportunity” Education Tax Credit - The agreement would provide financial assistance for individuals seeking a college education. For 2009 and 2010, the bill would provide taxpayers with a new “American Opportunity” tax credit of up to \$2,500 of the cost of tuition and related expenses paid during the taxable year. Under this new tax credit, taxpayers will receive a tax credit based on one hundred percent (100%) of the first \$2,000 of tuition and related expenses (including books) paid during the taxable year and twenty-five percent (25%) of the next \$2,000 of tuition and related expenses paid during the taxable year. Forty percent (40%) of the credit would be refundable. This tax credit will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$80,000 (\$160,000 for married couples filing jointly).

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 agreement 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.