

Six Recovery Tax Incentives for Individuals

The American Recovery and Reinvestment Act provides tax incentives for first-time homebuyers, people purchasing new cars, those interested in making their homes more energy efficient, and parents and students paying for college.

Here are six things the IRS wants you to know about ARRA tax incentives for individuals:

1. **First-Time Homebuyer Credit** Taxpayers who haven't owned a principal residence during the past three years prior to the purchase date of a home before Dec. 1 of this year may be eligible to receive a credit of up to \$8,000 on an original or amended 2008 tax return. They can also wait and claim the credit on their 2009 return.
2. **New Vehicle Purchase Incentive** Qualifying taxpayers can deduct the state and local sales and excise taxes paid on the purchase of new cars, light trucks, motor homes and motorcycles. The deduction per vehicle is limited to the tax on up to \$49,500 of the purchase price of each qualifying vehicle and phases out for taxpayers at higher income levels.
3. **Making Work Pay and Withholding** The Making Work Pay Credit lowered employees' tax withholding rates this year and has already put more money into the pockets of wage earners. Self-employed individuals will have an opportunity to claim this credit when they file their 2009 return. Taxpayers who fall into any of the following groups should review their tax withholding rates to ensure enough tax is currently being withheld: multiple job holders, families in which both spouses work, workers who can be claimed as dependents by other taxpayers, workers without a valid social security number, some social security recipients who work and pensioners. Failure to adjust your withholding in these situations could result in potentially smaller refunds or in limited instances may cause you to owe tax rather than receive a refund next year.
4. **Tax Credit for First Four Years of College** The American Opportunity Credit can help parents and students pay part of the cost of the first four years of college. The new credit modifies the existing Hope Credit for tax years 2009 and 2010, making it available to a broader range of taxpayers. Eligible taxpayers may qualify for the maximum annual credit of \$2,500 per student.
5. **Certain Computer Technology Purchases** Allowed for 529 Plans ARRA adds computer technology to the list of college expenses that can be paid for by a qualified tuition program, commonly referred to as a 529 plan. For 2009 and 2010, the law expands the definition of qualified higher education expenses to include expenses for computer technology and equipment or Internet access and related services.
6. **Energy-Efficient Home Improvements** The credit for non-business energy-efficient improvements is increased for homeowners who make qualified improvements to existing homes. Qualifying improvements include the addition of insulation, energy-efficient exterior windows and energy-efficient heating and air conditioning systems.

For more information on this and other key tax provisions of the Recovery Act, visit the official IRS Website at IRS.gov/Recovery.

Links:

- The American Recovery and Reinvestment Act of 2009: [Information Center](#)

YouTube Videos:

- First-Time Homebuyer: [English](#) | [Spanish](#) | [ASL](#)
- Check Your Withholding; Making Work Pay: [English](#) | [ASL](#)
- Home Energy Credit: [English](#) | [ASL](#)
- Education Credits (Parents): [English](#) | [ASL](#)
- General Recovery (ARRA) Message: [English](#) | [Spanish](#) | [ASL](#)

Audio Files for Podcast:

- First-Time Homebuyer Credit 2009: [English](#) | [Spanish](#)
- ARRA Vehicle Tax Deduction: [English](#) | [Spanish](#)
- Making Work Pay Credit: [English](#) | [Spanish](#)
- Education Tax Breaks: [English](#)
- Home Energy Credits: [English](#) | [Spanish](#)
- ARRA Tax Credits: [English](#) | [Spanish](#)