

Michigan Recovery Office FAQ

Q. What is the American Recovery and Reinvestment Act (ARRA or Recovery Act)?

A. The American Recovery and Reinvestment Act is a nationwide effort to create jobs, jumpstart growth, and transform our economy for the 21st century. Across the country, the Recovery Act will help businesses create jobs and families afford their bills while laying a foundation for future economic growth in key areas like health care, clean energy, education and a 21st century infrastructure.

Nationally, the Recovery Act will:

- Create or save 3.5 million jobs over the next two years;
- Direct nearly 40 percent of recovery package dollars for relief to working and middle class families, including a Making Work Pay tax credit for 95% of workers and their families, expanded and extended unemployment insurance, and payments to Social Security beneficiaries and veterans;
- Double renewable energy generating capacity over three years -- stimulating a new energy economy, saving consumers money, and reducing our reliance on fossil fuels;
- Invest \$150 billion in our nation's infrastructure - the largest investment since the interstate highway system in the 1950s - including \$17 billion invested in public transit and high speed rail, upgrades for the nation's electricity grid, and \$7 billion to expand broadband coverage throughout the nation;
- Protect health care coverage for roughly 20 million Americans, with \$87 billion in for a temporary increase the Federal Medical Assistance Percentage so budget shortfalls will not force states to cut eligibility for Medicaid and SCHIP;
- Enact the most significant expansion in tax cuts for low- and moderate-income households ever, lifting more than 2 million people out of poverty.

Q. What does the Recovery Act funding mean for Michigan?

A. For Michigan, these funds will allow us to accelerate our own plan to create jobs and diversify our economy, protect Michigan families, and train Michigan citizens for the new jobs we're creating today and will create in the future. The Recovery Act will deliver immediate, tangible impacts, including:

- Creating or saving 109,000 jobs over the next two years.
- Providing a making work pay tax cut of up to \$800 for 3,910,000 workers and their families.
- Making 121,000 families eligible for a new American Opportunity Tax Credit to make college affordable.
- Offering an additional \$100 per month in unemployment insurance benefits to 1,040,000 workers in Michigan who have list their jobs in this recession.
- Providing funding sufficient to modernize at least 383 schools in Michigan so our children have the labs, classrooms and libraries they need to compete in the 21st century economy.

Q. What happened to the inventory of “shovel ready” projects submitted to the state earlier this year?

A. When Governor Granholm, and governors around the country, called for communities to submit their project ideas, the details of the stimulus plan were not fully known. However, every state wanted to be ready to put the dollars to work for their citizens as soon as they were available. The response to Governor Granholm's call was extraordinary. More than 17,000 projects totaling over \$59 billion were submitted.

The Recovery Act outlines how the dollars will flow to the states. Much of the funding will come through existing formulas that determine how much funding is available and the type of projects that qualify, including transportation, Medicaid, unemployment insurance, and at-risk and special education funds for K-12 schools. The remaining funding will come to Michigan primarily through competitive grants for which local communities, schools and non-profits will be eligible to apply.

Using existing formulas and programs will allow this funding to reach our citizens quickly and be infused into our economy in the most efficient way possible. However, it also means that the vast majority of shovel-ready projects submitted to our inventory will not be eligible for state funding.

That does not mean that your community should abandon these priority lists. The formula funds you receive may provide the funding needed for these projects. In addition, dozens of competitive grant opportunities are available for funding for specific projects. Click on the Grant Opportunities link on our home page to determine if your project might qualify for one of these additional funding sources. If your project does not qualify on its own for a specific grant, please think creatively about partnering with other organizations and/or agencies in your community to maximize your impact and strengthen your application.

The Recovery Act provides a unique opportunity for Michigan. By aggressively pursuing competitive grants and using the money we receive efficiently and effectively, we can create jobs, protect our families, and transform Michigan's economy.

Q. How much money is Michigan getting from the Recovery Act and who will be getting the funds?

A. Michigan will receive an estimated \$18 billion from the Recovery Act. The money is coming to the state through three different mechanisms:

- Approximately \$7 billion will come through more than 100 existing programs or funding streams, such as MDOT, Medicaid, Education, etc.
- \$11 billion will come in the form of tax cuts and tax credits directly to citizens and businesses. (See below for specific information about tax cuts and credits.)
- More than 70 competitive grant opportunities, the vast majority of which are available to entities outside state government – schools, local governments, nonprofits, etc. There are billions of dollars available through these competitive grants. Click on the link for Grant Opportunities on the MI Recovery homepage for more information.

Q. How will the state allocate money that isn't coming through existing programs or through competitive grants?

A. Very little money is coming to any state government in the country with discretion. There are formula dollars flowing through the state down to local programs where the decisions are being made, and there's a significant amount of money that was held back in grants that are being administered by the federal government.

Q. What does the MI Economic Recovery Office do?

A. The role of the office is twofold: coordination of the communications about the Recovery Act, both to the public and to the entities receiving money; and, compliance. This office is the entity responsible for making sure we are receiving the money, and spending and accounting for it in the way we are required by the federal government.

Q. Will the Recovery Act provide an extension on unemployment benefits?

A. The Recovery Act extends the time Michigan recipients can receive unemployment benefits. The recovery plan:

- Extends eligibility by up to 20 weeks for a maximum of up to 79 weeks;
- Moves the ending date for the federal Emergency Unemployment Compensation (EUC) program to December 31, 2009, and phases out remaining EUC payments by June 5, 2010.

Q. Will the Recovery Act provide for additional unemployment benefits?

A. The Recovery Act includes an increase in unemployment insurance benefits for most Michigan recipients. The Recovery Act will:

- Increase weekly unemployment benefits by \$25 on top of the unemployment benefits jobless workers currently receive;
- Apply the federally-funded \$25 increase per week beginning February 22, 2009 and ending before January 1, 2010, and will be phased out by June 30, 2010;
- Extend the increase to recipients who receive benefits through any of the following programs:
 - State unemployment benefits
 - Federal Emergency Unemployment Compensation
 - Extended Benefits
 - Unemployment Compensation for Federal Employees
 - Unemployment Compensation for Ex-Military Personnel
 - Disaster Unemployment Assistance
 - Trade Readjustment Allowances

Q. Will people receiving unemployment get a tax break on their unemployment benefits?

A. Under the Recovery Act, \$2,400 in unemployment benefits paid in 2009 will not be subject to federal tax.

Q. How will the Recovery Act impact business taxes?

A. The tax provisions in the American Recovery and Reinvestment Act will provide significant relief for businesses, saving Michigan business owners approximately \$1.4 billion in federal taxes over the next three years.

- **Bonus Depreciation:** Businesses are generally allowed to claim a deduction for the wear and tear on business capital (machines, equipment, computers, tractors, etc.). The deduction, called depreciation, is calculated over the useful life of the capital. For tax year 2009, businesses that make expenditures on new capital will be allowed to immediately write-off 50 percent of those expenditures as a deduction against current income. This represents an extension of a similar provision enacted in 2008.
- **Expanded Small Business Expensing:** Small businesses are allowed to recover the cost of certain capital investments more quickly by immediately expensing rather than depreciating new capital investments over time. Expensing allows the business to recover the cost of the investment more quickly through a lower tax bill. The benefits of expensing are limited to \$125,000 of total expenditures are phased out for firms that have total capital expenditures of more than \$500,000 per year. For 2009, the amount of new expenditures that may be eligible for expensing is raised to \$250,000, and businesses may have up to \$800,000 in aggregate investment expenditures and still qualify for the full expense amount.

- **5-Year Carryback of Net Operating Losses for Small Businesses:** Net operating losses (NOLs) may be used to offset taxable income in the two prior tax years or carried forward for up to twenty years. It is generally more advantageous to offset prior income, if possible, because the business may claim an immediate refund for taxes paid previously. For tax year 2008, the carry-back period is extended to five years, for businesses with gross receipts of \$15 million or less, providing struggling Michigan businesses with additional cash to weather the economic storm.
- **Deferral of Certain Income from Cancellation of Debt:** A taxpayer generally has to recognize income whenever the taxpayer is able to cancel debt or repurchase the debt for an amount less than the adjusted issue price. The income recognized is the difference between the adjusted issue price and the re-purchase price. For tax years 2009 and 2010, certain businesses will be allowed to defer paying tax on income from the cancellation of debt for four or five years, and then pay the tax evenly over five years. This timing shift will save the affected firms from paying tax during these difficult economic times.

Q. Will individuals receive a tax cut from the stimulus package?

A. The Recovery Act includes several provisions that will lower taxes for many Michigan individuals and families. These tax cuts, deductions, and credits will save Michigan taxpayers an estimated \$6.7 billion over the next three years (2009-2011).

- **Making Work Pay Credit:** For 2009 and 2010, this new, refundable Making Work Pay Credit is equal to the lesser of 6.2% of earned income or \$400 (\$800 for married couples filing jointly). The credit is reduced for taxpayers with adjusted gross incomes exceeding \$75,000 (\$150,000 for married couples filing jointly.) The Making Work Pay tax credit likely will be implemented through reduced withholding on wages, and not through a one-time payment. Taxpayers not receiving the full benefit through withholding will receive the remaining credit on their annual tax return. This provision does not affect a taxpayer's Michigan income tax liability.
- **Earned Income Tax Credit:** For 2009 and 2010, the Earned Income Tax Credit (EITC) is increased for families with 3 or more qualifying children. The EITC for married couples will also phase out at \$5,000 more than for single filers, reducing the marriage penalty. Taxpayers will generally receive these benefits when they file their income tax returns. The higher federal EITC will result in a higher Michigan Earned Income Tax Credit, when taxpayers file Michigan income tax returns for 2009 and 2010. For 2009 and beyond, Michigan's Earned Income Tax Credit will equal 20-percent of the federal EITC claimed.
- **Child Tax Credit:** For 2009 and 2010, the income threshold for taxpayers to receive a portion of the excess Child Tax Credit as a refund is lowered, resulting in larger refunds. Taxpayers will claim the increased refunds on their annual income tax returns. (Current law limits the amount of the federal Child Tax Credit (CTC) that can be paid to a taxpayer if the CTC exceeds the taxpayer's income tax.) This provision does not affect a taxpayer's Michigan income tax liability.
- **American Opportunity Tax Credit:** This provision expands the maximum credit for post-secondary education expenses to \$2,500 for tax years 2009 and 2010 and allows taxpayers to claim the credit for up to four years. The credit, generally benefitting parents of dependent students, will be claimed on the taxpayer's 2009 federal income tax return. The credit is partially refundable, so low-income, independent students may also qualify. This provision does not affect a taxpayer's Michigan income tax liability.

- **Suspension of Taxation of Unemployment Benefits:** The first \$2,400 of unemployment compensation is excluded from gross income in 2009. This exclusion will reduce taxable income for Michigan taxpayers on both their federal and state tax returns. The exclusion will save Michigan recipients of unemployment compensation up to \$104 on their Michigan returns.
- **Deduction for Sales Tax on Automobile Purchases:** Purchasers of new vehicles may deduct from federal taxable income, the amount of sales tax paid on the purchase of a new car, SUV, light truck, or motorcycle. The deduction would apply to the sales tax paid on the first \$49,500 of the purchase price, and would phase out for taxpayers with incomes over \$125,000 (\$250,000 joint returns). This provision does not affect a taxpayer's Michigan income tax liability.
- **Refundable First-Time Home Buyer Credit:** The existing credit for first-time home buyers is increased from a maximum of \$7,500 to \$8,000 and the credit is made refundable for qualifying home purchases made between January 1, 2009 and November 30, 2009. The elimination of the pay-back provision, combined with the refundable feature, effectively converts the credit from an interest-free loan to a cash grant for first-time buyers. Taxpayers will claim this credit on their 2009 income tax return. This provision does not affect a taxpayer's Michigan income tax liability.
- **One-Year Patch for Alternative Minimum Tax:** The Alternative Minimum Tax or AMT is an alternative tax designed to ensure that taxpayers are unable to exploit tax deductions and exemptions and avoid paying any federal income tax. The AMT calculation does not currently affect most taxpayers. However, the exemption amount for the AMT is not permanently adjusted for inflation, and Congress passes legislation each year to adjust the exemption amount and avoid a large increase in the number of taxpayers paying the AMT. The patch for tax year 2009 raises the exemption amount to \$70,950 for married couples and \$46,700 for single filers. This provision does not affect a taxpayer's Michigan income tax liability.

Non-Tax Related Provision for Individuals (retirees)

- **Economic Recovery Payment to Retirees:** A one-time payment of \$250 will be made to retirees, disabled individuals, and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement, or the U.S. Department of Veterans Affairs. This payment reduces any Making Work Pay credit for which the recipient would be eligible. This provision does not affect a taxpayer's Michigan income tax liability.

Q. How much road construction money will Michigan receive and where will it be spent?

A. Under the Recovery Act, Michigan is expected to receive \$853 million in additional funds for road and bridge construction. For more information about specific road construction projects funded by the Recovery Act, www.michigan.gov/mdot-arra. Current project lists are available from the Project Lists drop-down menu.

Q. Does the Recovery Act help unemployed keep their health insurance?

A. To help people maintain health insurance coverage, the Recovery Act provides a federal subsidy of 65% for COBRA continuation premiums for up to 9 months for workers who have been involuntarily terminated, and for their families. In total, the recovery plan will provide approximately \$800 million in health insurance subsidies for Michigan taxpayers.

Additional details and qualifications:

- To qualify for premium assistance, a worker must be involuntarily terminated between September 1, 2008, and December 31, 2009.
- Workers who were terminated between September 1, 2008 and the enactment of the ARRA, but initially declined COBRA coverage would be given an additional 60 days to elect coverage and receive the subsidy.
- The full premium subsidy is available to terminated workers with incomes of \$125,000 or less, or incomes of \$250,000 or less for married workers filing a joint tax return.
- Workers with incomes between \$125,000 and \$145,000 (\$250,000 and \$290,000 with a joint return) receive a reduced subsidy.
- The earliest premium subsidies will begin on March 1, 2009.
- For more information, please visit the U.S. Dept. of Labor website at: <http://www.dol.gov/ebsa/COBRA.html>

Q: How can citizens be sure that the funds are spent responsibly and efficiently?

A: Michigan will meet the highest standards of fiscal integrity, transparency and accountability in the administration of Recovery Act funds. The Act outlined numerous requirements to ensure that the stimulus package money is well spent and includes an unprecedented level of accountability and transparency on both expenditures and results. Requirements include:

- Certification by Governor Granholm and local officials that infrastructure expenditures have been fully reviewed and are an appropriate use of tax dollars.
- Public access to contract and grant information, including requests for proposals for competitive grant programs.

The Michigan Economic Recovery Office is required to report the following to the federal government:

- How funds are being used.
- Descriptions and status reports on stimulus-related projects.
- Estimates of jobs saved or created by federal stimulus activities.
- Estimates of tax increases averted because of federal stimulus funds.

The MI Economic Recovery Office web site will provide information on how all stimulus funds are used and the specific status of Michigan projects. The MI Recovery Office website includes an interactive county map with up-to-date information about funding allocations for every county in the state. Click on the "Interactive County Map" link at www.michigan.gov/recovery to access county-specific information.

In addition, the U. S. Government Accountability Office (GAO) has selected 16 states, including Michigan, for an ongoing longitudinal analysis of our use of funds. The states were chosen on the basis of outlay projections, percentage of the U.S. population represented, unemployment rates and changes, and a mix of states' poverty levels, geographic coverage and representation of both urban and rural areas.

Q: How can individuals or organizations submit projects for Recovery Act grants on Michigan's Economic Recovery Website?

A: The Economic Recovery Office does not directly administer the allocation of any of the Recovery Act grants. All projects must be submitted per the guidelines provided by the state, local or federal agency administering the individual grant that is being applied for.

Q: What is the best way to stay up-to-date on Michigan's Recovery Act efforts?

A: The MI Economic Recovery Office website is updated on a regular basis as information is received from state and federal agencies. Please check the site often for more information and sign up to receive periodic e-mail updates.

Q: What help is available to Michigan residents who are facing foreclosure?

A: The Michigan State Housing Development Authority (MSHDA) has information available to assist citizens who are facing foreclosure or struggling to make their mortgage payments during these difficult economic times. Please visit the MSHDA website at www.michigan.gov/mshda or call 1-866-946-7432 to speak with a homeownership counselor.

Q: Will the Recovery Act help individuals who receive food assistance?

A: If you are a recipient of the Food Assistance Program (FAP), the Recovery Act provides an increase in the monthly benefit. If you are currently enrolled in the program, you will automatically receive this increase and it will be added to your monthly benefit allowance. To learn more about food assistance in Michigan [click here](#).

Q: How would an organization pursue business opportunities made available by the Recovery Act?

A: Both state and federal projects will present potential business opportunities. The designated federal or state agency sets the criteria for project eligibility following existing state and federal law and regulations. Individuals or business seeking business opportunities need to be aware of federal and state contracting guidelines and regulations. They also need to become familiar with timelines and additional criteria identified in the Recovery Act. To learn more about federal business and contracting opportunities visit Fedbizopps.gov and the [Small Business Association](#). For state contracting opportunities, visit www.michigan.gov/buymichiganfirst. For ARRA Recovery updates for the Michigan Department of Transportation, [click here](#).