

This document contains (1) information on the executive branch’s process in releasing and awarding stimulus (Recovery Act) money, (2) business incentives known to be contained within the Recovery Act, and (3) potential local opportunities.

The Recovery Act is estimated to create 143,000 jobs in Pennsylvania (23,500 in central PA); 90 percent in the private sector.

Executive Branch Timeline

- The Office of Management & Budget (OMB) circulated a memo to federal departments and agencies listing initial guidelines for implementation of the Recovery Act (\$787 billion).
- **Process.** Departments and agencies receiving Recovery Act funding will follow the current structure for announcing, reviewing and awarding loans, grants, and/or contracts. In brief, the current internet-based structure will be utilized by the executive branch to solicit applications for stimulus program funds.
- **Weekly Updates.** Starting March 3, agencies must submit weekly reports providing a breakdown of funding, major actions taken, and major planned actions on a new federal website, www.recovery.gov.
- **Catalog of Federal Domestic Assistance (CFDA).** CFDA provides a full listing of all federal programs available to state and local governments online at www.cfda.gov. CDFA is currently updating their website to better support the Recovery Act.
- **Funding Opportunities.** Recovery.gov indicates that agencies must have their respective programs up and running on www.cfda.gov by May 20, 2009; however, “funding opportunities” must be listed on www.recovery.gov within 20 days of enactment (by 3/09/09).
- **Federal Contracts:** Federal contracting opportunities created by the Recovery Act will be promulgated as usual via www.fedbizopps.gov. Companies must have certificates in place in order to bid on federal government contracts. *The process to obtain these certificates is explained on the fedbizopps website.*

Timeline Breakdown:

Reporting Requirement	Period
Major communications via www.recovery.gov .	Immediate/Ongoing
Formula block grant allocation reports.	Immediate/Ongoing
Weekly reports on www.recovery.gov .	3/3/09 – 5/12/09
Monthly financial reports.	Starting 5/8/09
Award-level reporting.	Starting 5/5/09
Agency-wide Recovery Act plans to OMB.	NLT 5/1/09
Program-specific Recovery Act plans to OMB.	NLT 5/1/09

Recovery Act: Tax Incentives For Business

Bonus Depreciation. Allows businesses that make capital investments to immediately deduct half the cost. Small businesses can immediately deduct 100 percent of the cost. Depreciation bonus helps businesses that buy equipment this year cut their 2009 tax bill.

5-Year Carryback of Net Operating Losses. Allows a 5-year carryback of net operating losses for small businesses with gross receipts of \$15 million or less.

Extension of Small Business Expensing. Until the end of 2010, small business are allowed to write-off up to \$125,000 of capital expenditures. The write-off is subject to a phase-out once capital expenditures exceed \$500,000.

Incentives to Hire Unemployed Veterans and Disconnected Youth. Businesses are allowed to claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to employees in of one of nine targeted groups. The Recovery Act extends the tax credit to unemployed veterans and disconnected youth. An unemployed veteran must be discharged during the five-year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.

Small Business Capital Gains. Allows a 75 percent exclusion on the gain from the sale of certain small business stock held for more than five years.

Delayed Recognition of Cancellation of Debt Income. The cancellation of debt income (CODI) is the excess of the old debt's adjusted issue price over the repurchase price. Certain businesses will be allowed to recognize CODI over 10 years for specified types of business debt repurchased after December 31, 2008 and before January 1, 2011.

Temporary Reduction of S Corporation Built-In Gains Holding Period. Under current law, if a taxable corporation converts into an S corporation, the conversion is not taxable. However, following such a conversion, an S corporation must hold its assets for ten years in order to avoid a tax on any built-in gains that existed at the time of the conversion. The bill would temporarily reduce this holding period from 10 years to 7 years for sales occurring in 2009 and 2010.

Small Business Estimated Tax Payment Relief. Reduces the 2009 required estimated tax payments for certain small businesses.

Recovery Act: Potential Local Opportunities

(The Governor's Office anticipates \$6 billion in Recovery Act funding over 2 years.)

Education

- \$44.5 billion nationally to school districts to prevent layoffs and cutbacks, with flexibility to use the funds for school modernization and repair.
- \$25.2 billion nationally to school districts for special education.
- For Lancaster: Local school districts could see approx. \$26.5 million from the Recovery Act.

Health Care

- For workers opting to go on COBRA after losing their jobs, the federal government will subsidize 65 percent of health insurance premiums for the first nine months. Subsidies will be offered those lost their jobs from September 1 to the end of 2009. Those who were laid off after September but didn't elect to have COBRA coverage will have 60 days to sign up.
- \$20 billion nationally for health information technology.
- Gov. Rendell plans to use most of the \$6 billion in anticipated Recovery Act funding for health care needs.

Energy

- \$100.8 million statewide through the State Energy Program.
- \$258.8 million statewide through the Weatherization Assistance Program.

Job Assistance

- \$275 million statewide in unemployment insurance assistance if Pennsylvania fully enacts the unemployment insurance modernization incentives.
- Temporary suspension of federal income tax on the first \$2,400 of unemployment benefits.
- \$15.4 million statewide to match unemployed individuals to job openings through state employment service agencies.
- \$34.4 million statewide for grants that support immediate strategies for regions and communities to meet the need for skilled workers.
- For Lancaster: Most of the monies will be delivered by the WIB.

Infrastructure/Agriculture

- \$1 billion statewide for highways, \$343.7 million for mass transit.
- For Lancaster: \$34 million for roads/bridges; \$21 million for mass transit.
- \$66.2 million statewide for drinking water infrastructure needs.
- \$157.6 million statewide for clean water infrastructure needs.

Sources:

- IRS: <http://www.irs.ustreas.gov/newsroom/article/0,,id=204335,00.html?portlet=6>
- Senate Finance and House Ways and Means committees: <http://finance.senate.gov/press/Bpress/2009press/prb021209.pdf>
- The White House
- The Associated Press