

FACTS AT A GLANCE

October 26, 2009

American Recovery and Reinvestment Act - Direct Benefits

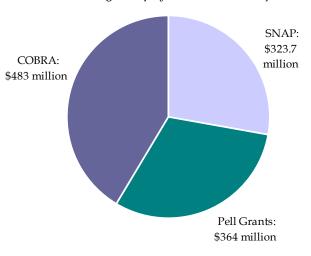
ARRA includes a number of provisions that provide direct aid to individuals and families to weather the hardships brought about by the recession. Of these programs, Unemployment Insurance and nutrition assistance programs have already distributed \$891 million in aid to Massachusetts residents as of Sept. 30, 2009. In addition, increases to Pell Grants and COBRA benefits have also already benefited residents, although exact amounts for these programs are not yet known. Overall, it is estimated that Pell Grants, COBRA, and nutrition assistance provisions will provide more than \$1.2 billion to Massachusetts residents. The total amount of non-tax direct benefits will be much higher because estimates for the total amount of Unemployment Insurance funding for the state is unknown, although more than \$800 million has already been distributed. ARRA tax and related provisions, which include tax credit programs and one-time Economic Recovery Payments, have already provided almost \$1.6 billion in benefits to Massachusetts taxpayers, and are estimated to provide \$5.8 billion in benefits to Massachusetts taxpayers in 2010 and 2011.

ARRA Provides \$5.8 Billion in Tax & Related Benefits

Economic Recovery Payments: \$306.5 million "Making Work Pay": \$2.6 billion Alternative Minimum Tax: \$2.5 billion Earned Income Tax Credit: \$66 Million American Opportuntiv Tax Child Tax Credit: Credit: \$177.6 Million \$193.5 Million

ARRA Provides \$1.2 Billion in Direct Benefits





INCREASE IN PELL GRANTS

ARRA uses \$17.1 billion to increase the dollar amount of Pell Grants received by eligible students. Through ARRA, the maximum Pell Grant is increased from \$4,850 to \$5,350. Pell Grants are awarded to students with financial need who are attending one of the more than 5,400 approved postsecondary institutions. While it is not yet known how much of this increase will go to Massachusetts residents, the state estimates the total at more than \$364 million.

INCREASE IN UNEMPLOYMENT BENEFITS

ARRA allocates funds both for increasing unemployment benefits by \$25 per week, extending unemployment benefits for a longer period of time, and for modernizing state unemployment programs. The total allocation

for extended and increased unemployment insurance benefits is \$35.8 billion. As of Sept. 30, \$815.6 million had already been disbursed to Massachusetts recipients. These extensions and increases are set to expire at the end of 2009. For UI modernization, which will help to further extend benefits to more workers through a variety of reforms, the national amount allocated by ARRA is \$7 billion. Massachusetts has already received its first portion of these funds, in the amount of \$54.2 million, and has applied for the second portion, totaling \$108.4 million.

INCREASE IN SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM – SNAP (FOOD STAMPS)

ARRA allocates \$20 billion for increasing SNAP benefits, which provides aid to low-income individuals and families for meeting their nutritional needs by 13.6 percent. The current estimate for the total Massachusetts allotment is \$323.7 million. The total amount spent in increased SNAP benefits to Massachusetts recipients as of Sept. 30 is \$74 million. This increase in SNAP is estimated to phase out over the next five years.

EXTENDED COBRA BENEFITS

The federal stimulus bill includes changes to the COBRA health insurance benefit, estimated to directly affect approximately 200,000 unemployed people in Massachusetts. COBRA allows certain people to extend their employer-provided group health coverage if they would otherwise lose that health insurance coverage due to certain events such as divorce or loss of a job. ARRA provides for the federal government to subsidize temporarily (for up to nine months) 65 percent of the monthly premium for workers who have been laid off during the between September of 2008 and the end of 2010. The benefit of this change to unemployed workers is estimated at \$24.7 billion. If Massachusetts' total allocation is similar to its share of initial unemployment claims, residents of the Commonwealth will receive approximately \$483 million in COBRA benefits.

ONE-TIME ECONOMIC RECOVERY PAYMENTS

ARRA designated \$14.2 billion for \$250 one-time Economic Recovery Payments for retirees and recipients of Social Security Insurance. An estimated 1.2 million people will benefit from these payments in Massachusetts, totaling \$297 million. The Social Security Administration distributed all Economic Recovery Payments by the end of May 2009, so all these funds have been spent.

TAX BENEFITS FOR INDIVIDUALS

"Making Work Pay" Tax Credit. This is the largest of the tax reductions included in ARRA, which provides a credit of up to \$400 for individuals and \$800 for married taxpayers filing joint returns. The national estimate is \$116 billion, with \$2.6 billion allocated for Massachusetts. The total benefit to Massachusetts taxpayers as of Sept. 30 is estimated at \$1.2 billion. This credit is in effect for tax years 2009 and 2010.

Earned Income Tax Credit (EITC). The national estimate for the EITC, which provides tax breaks to working individuals earning low to moderate incomes, is \$5 billion. This credit will be in effect for tax years 2009 and 2010. It is estimated that Massachusetts taxpayers will receive \$66 million through the EITC.

Child Tax Credit. ARRA will provide an estimated \$15 billion nationally to expand the Child Tax Credit. Taxpayers with qualifying children can claim up to \$1,000 per child for tax years 2009 and 2010. Massachusetts taxpayers are estimated to receive \$177.6 million in Child Tax Credits.

American Opportunity Tax Credit. The American Opportunity tax credit expands the existing Hope Credit. Taxpayers can claim \$2,500 tax credit for college tuition and related costs, which is estimated to benefit 71,000 college students in Massachusetts. \$14 billion was estimated nationally, with \$193.5 million estimated for Massachusetts. The benefit to taxpayers as of September 30 is estimated at \$15 million.

Alternative Minimum Tax. ARRA provides a one-year increase in the AMT floor for joint filers in 2009. The national estimate for this provision is \$70 billion, including \$2.5 billion in Massachusetts. The estimated tax benefit for Massachusetts taxpayers so far is \$74.2 million.