

**Team:****Editor:****Kevin O. Faley**

Washington, D.C.
kofaley@Venable.com
202.344.4706

Associate Editor:**Barbara Reres**

Washington, D.C.
breres@Venable.com
202.344.4736

Stimulus

Please note the amended figure below for the subsidy for COBRA premiums has been corrected to accurately state a 65% subsidy, rather than 60%.

The major legislative issue of the new Congress and the Obama Administration involved consideration and passage of The American Recovery and Reinvestment Act of 2009 (H.R.1); the economic stimulus bill. A Department of Labor report issued in early February underlined the urgent need, in the view of the Democratic majority, for some type of stimulus by noting the loss of 598,000 jobs in January, the most since December of 1974. The House passed its \$820 billion package after two days of deliberations by a vote of 244-188. However, as usual, the legislative process in the Senate involved a slower and more complicated path.

The Senate took up H.R. 1 on February 2 and saw 315 amendments filed to the bill. Over the next week the Senate debated H.R.1 and held roll call votes on approximately 20 amendments. On February 7, a compromise substitute amendment sponsored by Senators Susan Collins (R-ME) and Ben Nelson (D-NE) was filed on the Senate Floor. The Collins-Nelson substitute was the product of negotiations among some 20 moderate Senators and was designed to reduce the overall cost of the bill which had grown to over \$900 billion during consideration by the Senate. On February 10, the Senate voted to adopt the Collins-Nelson substitute by a vote of 61-37. The cost of the Senate bill was \$838 billion.

A Conference Committee quickly agreed on a stimulus package costing \$789 billion. Major provisions of the Conference Agreement include the following:

Energy:

- Provides a total of \$30 billion for energy initiatives such as a new, smart power transmission grid, advanced battery technology, and energy efficiency measures.
- Provides \$20 billion in tax incentives for renewable energy and energy efficiency over the next 10 years.
- Includes a three-year extension of the production tax credit (PTC) for electricity derived from wind (through 2012) and for electricity derived from biomass, geothermal, hydropower, landfill gas, waste-to-energy, and marine facilities (through 2013).
- Provides grants of up to 30% of the cost of building a new renewable energy facility.
- Promotes energy-efficient investments in homes by extending and expanding tax credits through 2010 for purchases such as new furnaces, energy-efficient windows and doors, or insulation.

Science and Technology:

- Provides 43 billion for the National Science Foundation, for basic research in fundamental science and engineering.
- Provides \$1.6 billion for the Department of Energy's Office of Science, which funds research in such areas as climate science, biofuels, high-energy physics, nuclear physics and fusion energy sciences – areas crucial to our energy future.
- Provides \$8.5 billion for NIH, including expanding jobs in biomedical research to study diseases such as Alzheimer's, Parkinson's, cancer, and heart disease.
- Provides \$1 billion for NASA, including \$400 million to put more scientists to work doing climate change research.
- Provides \$7 billion for extending broadband services to underserved communities across the country.

Health Care Costs and Insurance Coverage:

- Provides \$19 billion to accelerate adoption of Health Information Technology (HIT) systems by doctors and hospitals.
- Protects health care coverage for millions of Americans by providing an estimated \$87 billion over the next two years in additional federal matching funds to help states maintain their Medicaid programs.

- Provides a 65% subsidy for COBRA premiums for up to 9 months.

Education:

- Prevents teacher layoffs and other cutbacks in education and other key services by establishing a \$53.6 billion State Fiscal Stabilization Fund.
- Increases the higher education tax credit to a maximum of \$2,500.
- Increases the maximum Pell Grant by \$500, for a maximum of \$5,350 in 2009 and \$5,550 in 2010.
- Provides \$1.1 billion for Early Head Start and \$1 billion for Head Start.
- Provides \$2 billion for the Child Care Development Block Grant.

Roads, Bridges, Transit and Waterways:

- Provides \$29 billion for modernizing roads and bridges.
- Provides \$8.4 billion for investments in public transit and \$8 billion for investment in high-speed rail.
- Provides \$18 billion for clean water, flood control, and environmental restoration investments.

Tax Relief:

- Provides tax relief to American workers through the Making Work Pay Tax Cut, a refundable tax credit of up to \$400 per worker (\$800 per couple filing jointly), phasing out completely at \$200,000 for couples filing jointly and \$100,000 for single filers.
- Protects 26 million middle-class families from coverage by the AMT.
- Helps first-time homebuyers by enhancing the current credit for first-time home purchases with the removal of the repayment requirement.
- Provides incentives to buy new cars, including light trucks and SUVs, with a tax deduction for State and local sales taxes paid on the purchase.
- Helps businesses quickly recover costs of new capital investments by extending the bonus depreciation and increased small business expensing for businesses making investments in plants and equipment in 2009.
- Includes a variety of provisions to help small businesses, including small business expensing for investment in new plants and equipment, loss carry back for small businesses, a delay of the 3% withholding tax on payments to businesses that sell goods or services to governments, and a cut in the capital gains tax cut for investors in small businesses who hold stock for more than five years.
- Provides incentives to create new jobs with tax credits for hiring recently discharged unemployed veterans and youth that have been out of work and out of school for the 6 months prior to hire.
- Provides a tax credit for families that purchase plug-in hybrid vehicles of up to \$7,500 to spur the next generation of American cars.
- Establishes a new manufacturing investment tax credit for investment in advanced energy facilities, such as facilities that manufacture components for the production of renewable energy, advanced battery technology, and other innovative next-generation green technologies.

Law Enforcement:

- Provides \$2.8 billion for State and local law enforcement assistance.
- Provides \$1 billion for the Community Oriented Policing Services Program.

Buy American:

- Provides that iron and steel used in construction projects funded by the bill be produced in the United States unless it violates provisions of the World Trade Organization agreement.

Executive Compensation:

- Places limits on the amount of compensation for executives at companies that have or will receive government funds through the Troubled Asset Relief Program (TARP) administered by the Treasury Department. Executives are prohibited from receiving compensation "based on statement of earnings, revenues, gains or other criteria that are later found to be materially inaccurate." Senior executives are prohibited from receiving "golden parachute" retirement payments and bonuses are limited to one-third of compensation packages. Also places limitations on excessive expenses for entertainment, events or office and facility renovations.
- Requires companies receiving TARP funds to permit a non binding vote of all shareholders approving all executive compensation packages.

On February 13, the House adopted the Conference Report by a vote of 246-183. The Senate approved the Report later that same evening by a vote of 60-38. The President subsequently signed the single largest expenditure in the history of the Federal Government into law on February 17.

can be reached at 202.344.4706 or at kofaley@Venable.com.

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