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## Area Business

### Plans vary on use for rebate

Some in the Triad say they will use it on debt or save it

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By Richard Craver | Journal Reporter

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Getting Triad residents to spend their economic-stimulus tax rebate may be harder than the Bush administration expected.

With the rebate being electronically deposited into taxpayers' accounts as soon as today, area residents said they are leaning toward saving for a rainy day or paying debt rather than making a big purchase.

"I know what the goal is for the stimulus, but I'm more than likely to invest it and try to make more money that way," said Pinkie Shuler of Winston-Salem.

Trean Ellis of Denton said that she and her husband are putting their stimulus money toward a down payment for a home they are planning to build in Lexington.

"It may end up being a small part of what we need, but every bit helps in this economy with gas prices being the way they are and both of us commuting to work," Ellis said. "It would be nice to buy a big-screen TV but we've got other priorities now."

The rebate is part of a \$168 billion economic-stimulus plan approved by Congress in February. The amount ranges from \$300 to \$600 for individuals and from \$600 to \$1,200 for couples, plus \$300 for each child.

Taxpayers who are eligible to receive an electronic deposit will get their rebate first. Those whose Social Security numbers' last two digits are between 00 and 20 will get their rebate by Friday, followed by those from 21 to 75 by May 9, and from 76 to 99 by May 16.

The rebate schedule is much longer -- from May 10 to July 11 -- for those who will receive a paper check. That schedule follows the same format based on the last two digits of their Social Security numbers; those with lower numbers get a check first.

"About 3.9 million taxpayers in North Carolina will get a total of about \$3.4 billion in stimulus payments," said Mark Hanson, a local spokesman for the Internal Revenue Service.

Local residents' reluctance to spend the rebate check isn't surprising to economists.

A study by the National Bureau of Economic Research found that consumers used a similar \$300 tax rebate in 2001 to either pay off debt or put into savings.

The Index of Consumer Sentiment, released Friday by the University of Michigan and Reuters, found that only 30 percent of consumers plan to spend their check, with most preferring to pay debt or add to savings.

"With the current high levels of economic uncertainty, most consumers favor adding to their reserve funds to increase their financial latitude as a safeguard against worsening future conditions," Richard Curtin, the director of the Reuters/University of Michigan surveys of consumers, said in a statement.

Although the tax rebate will increase spending temporarily, "the global

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rise in food and fuel prices, the decline in home values and higher credit standards are likely to persist for some time and lengthen the period of stagnation in consumption," the report found.

The National Retail Federation found more enthusiasm about spending in its recent survey, with consumers more likely to buy something (40.6 percent) than pay debt (28.4 percent) or save (18.7 percent).

Chris Fredette, the owner of Carolina Custom Sound in Advance, expects his business will increase by up to 20 percent between now and the end of June because of the stimulus rebate.

"Demand for high-definition is going crazy right now, with prices going down and technology improving," Fredette said. "I'd say about 70 percent of the customers who had been thinking about improving their home-entertainment center are likely to go ahead now because of the extra tax rebate.

"It also may make a difference in them buying a bigger TV than they had originally planned."

Even as gas and food prices are taking a bigger chunk out of her budget, Charmin Bell of Winston-Salem said that her rebate check needs to go to paying off bills.

"When you have four children, I'm sure some of it will be siphoned off to pay for the necessities of life," Bell said. "But this is an opportunity to pay down some obligations that eventually will help free up money for other things."

A survey by Truliant Federal Credit Union of more than 700 members found that 90 percent either planned to pay down debt or add to their savings with their stimulus money. Shopping was chosen by just 7.4 percent.

"In past years, people might have said they were going to use their refund to take a vacation or to go on a shopping spree," said Ginger Salt, a senior vice president of markets for Truliant. "But it is clear that the tide has changed.

"For paying down debt and paying living expenses to get such high percentages in our survey, it is clear that the economy has taken a toll on our member-owners financial needs."

Bryan Gower of Kernersville said that he and his wife have a special reason for putting his stimulus check into savings.

"Normally when I get a little extra cash, I put into savings anyway," Gower said. "But with our first child on the way, it makes even more sense to tuck away money now.

"The money eventually will get spent, but it'll go toward the baby's needs, and not ours."

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## Rebate plans

Spending the economic-stimulus tax rebate is the top choice of Americans surveyed by the National Retail Federation:

### Plans - Spending

**Buy something** - \$42.9 billion

**Pay on debt** - \$30.0 billion

**Save it** - \$18.7 billion

**Pay medical bills** - \$4.6 billion

**Invest it** - \$4.4 billion

**Other expenditures** - \$3.9 billion

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