



Worker, Homeownership, and Business Assistance Act of 2009 H.R. 3548

On November 6, 2009, President Obama signed into law the *Worker, Homeownership, and Business Assistance Act of 2009*. The new law liberalizes and extends the first-time homebuyer credit, amends and extends the rules for five-year net operating loss carrybacks, increases the penalties on S corporations and partnerships for failure to file returns, and mandates electronic filing for certain tax return preparers.

Individuals	
First-Time Homebuyers	<p>The \$8,000 credit is extended for purchases made before May 1, 2010. For this purpose, a first-time homebuyer is a taxpayer (and, if married, the spouse of the taxpayer) who has not owned a principal residence at any time during the previous three years.</p> <p>For qualifying taxpayers, the credit also applies to purchases before July 1, 2010, provided the taxpayer has entered into a written binding contract to close on the purchase before May 1, 2010. Effectively, this provision allows taxpayers an additional two months to close.</p>
<ul style="list-style-type: none"> • Higher Income Limitations 	<p>The first-time home homebuyer credit phases out for taxpayers with a modified adjusted gross income between \$125,000 and</p>

	<p>\$145,000 (\$225,000 and \$245,000 for joint filers) for the year of purchase.</p> <p>Effective for purchases after November 6, 2009.</p>
<ul style="list-style-type: none"> Existing Homeowners 	<p>A taxpayer is eligible for a credit up to \$6,500 (\$3,250 if separate returns are filed) provided the taxpayer (and if married, the taxpayer's spouse) has owned the same principal residence for any five consecutive years during the eight-year period ending on the date of purchase.</p> <p>Effective for purchases after November 6, 2009.</p>
<ul style="list-style-type: none"> Home Price Limitation 	<p>No credit is allowed if the purchase price of the home exceeds \$800,000.</p> <p>Effective for purchases after November 6, 2009.</p>
<ul style="list-style-type: none"> Age Limitation 	<p>No credit is allowed unless the taxpayer has attained age 18 as of the date of purchase, unless the taxpayer is married and his or her spouse is age 18 or older.</p> <p>Effective for purchases after November 6, 2009.</p>
<ul style="list-style-type: none"> Dependents 	<p>No credit is allowed if the taxpayer is claimed as a dependent on another taxpayer's return for the tax year of purchase.</p> <p>Effective for purchases after November 6, 2009.</p>
<ul style="list-style-type: none"> Closing Statement 	<p>No credit is allowed unless the taxpayer attaches a properly executed copy of the settlement statement that is used to complete the purchase to his or her 2009 return.</p> <p>Effective for tax years ending after November 6, 2009.</p> <p>NOTE: This means that the closing statement is required to be attached to the return for any qualifying new home purchase made during calendar year 2009, where the credit</p>

	is claimed on the 2009 return. It does not appear that closing statements need to be attached to amended 2008 returns.
<ul style="list-style-type: none"> • Related Party Definition 	<p>The definition of related party now includes persons related to the taxpayer's spouse. For example, a taxpayer cannot purchase a residence from the parents, grandparents, or children of his or her spouse and qualify for the credit.</p> <p>Effective for purchases after November 6, 2009.</p>
First-Time Homebuyer Rules for Military	<p>The recapture provisions are waived for qualified military personnel, and others, who claimed the first-time homebuyer credit and either sold the home or stopped using it as a principal residence after December 31, 2008, in connection with government orders received by the taxpayer (or spouse) for qualified official extended duty service.</p> <p>The recapture rules that generally apply when the credit is claimed for purchases made during 2008 do not apply in the year of sale or cessation of use, or any subsequent tax year. The accelerated recapture rules for homes purchased in 2009 do not apply.</p> <p>The credit is extended until April 30, 2011, (June 30, 2011, under a written binding contract) for qualified personnel who are on official extended duty outside the United States. These changes are effective for homes purchased after November 30, 2009.</p> <p>Qualified personnel include members of the uniformed armed services, members of the Foreign Service of the United States, and employees of the intelligence community who are on official extended duty.</p> <p>Extended duty is a period of at least 90 days. The extended duty must be served outside the United States.</p>