



WORKER, HOMEOWNERSHIP, AND BUSINESS ASSISTANCE ACT OF 2009

The Worker, Homeownership, and Business Assistance Act of 2009 was signed into law on November 6, 2009. The Act extended and expanded both the first-time homebuyer credit and the five-year net operating loss carryback period. It also increased the failure to file penalty for partnership and S corporation returns and extends the Federal Unemployment Tax surtax that was set to expire at the end of this year.

The first-time homebuyer credit was extended beyond the original November 30, 2009 deadline and expanded to additional taxpayers, including those with higher incomes and longtime residents of the same principal residence.

- The credit now applies to any taxpayer who enters into a written, binding contract by April 30, 2010 to purchase a principal residence as long as the closing date occurs by June 30, 2010.
- The credit amount (10% of the purchase price up to a maximum of \$8,000) did not change except in the case of a long-time resident of the same principal residence, where the maximum credit is \$6,500.
- To qualify as a long-time resident of the same principal residence, a taxpayer must maintain the same principal residence for any 5-consecutive year period in the 8-year period ending on the date of the new purchase.

The five-year net operating loss (NOL) carryback period was extended to include net operating losses incurred in 2009 and expanded to include businesses other than small businesses.

- This election must be made by the due date of the 2009 return (including extensions).
- When a large business elects to carry back an NOL five years under the new law, the NOL can offset only 50% of the taxable income for that year.
- The extension of this provision will also allow a taxpayer who missed the original deadline for 2008 NOLs to make such election by the due date of the 2009 return.

The Act increased failure to file penalties for partnerships and S corporations to help offset the burden of the above tax breaks. For tax years beginning on or after January 1, 2010, the penalty is increased from \$89 to \$195 per K-1 per month up to a maximum of 12 months.

The Federal Unemployment Tax Surtax of 0.2% has been extended through 2010 and the first six months of 2011. Therefore, the FUTA rate of 6.2% will remain in effect through the middle of 2011.