

Extending Unemployment Benefits, Homebuyer Tax Credit and Tax Cuts for Military Families and Businesses

Key Points:

- Congress is acting today in a bipartisan way to stimulate the economy and provide stability to American families by extending unemployment benefits to those hit hardest by the recession, the homebuyer tax credit, and tax relief for military families and businesses.
- The House will consider Senate amendments to H.R. 3548 to provide 14 additional weeks of unemployment benefits to jobless workers nationwide, with an extra six weeks for those in high unemployment states (over 8.5 percent) who are about to run out of benefits.
- To strengthen our domestic housing market, it extends the first-time homebuyer tax credit through next spring, expands eligibility for the homebuyer credit, and provides housing tax relief on housing for our nation's military families. For American businesses, it includes the NOL carry back provision to breathe life back into companies suffering significant losses.
- Today's action will send this measure to the President for signature and is critical to helping 1.3 million Americans who will run out of unemployment by the end of December.
- Senate Republicans delayed action on this bill, which passed yesterday by a unanimous vote of 98-0, for more than a month -- leaving 500,000 Americans without unemployment benefits when they needed them the most.
- Extending unemployment benefits is one of the most cost-effective and fast-acting ways to stimulate the economy because the money is spent quickly. Every \$1 spent on unemployment benefits generates \$1.63 in new economic demand. [Mark Zandi, chief economist of Moody's Economy.com]
- The bill would not add to the deficit: it extends the Federal unemployment tax that has been in place for more than 30 years, increases fines and penalties for partnerships and S corporations that fail to file a tax return, and delays a questionable tax break that would let U.S. multinational companies that have shipped jobs overseas reduce their U.S. taxes.
- Building on the Recovery Act, this Congress is working everyday to create jobs and strengthen the American economy for the middle class.

Relief to America's Workers, Effective Stimulus for the Economy

- Provides up to an additional 14 weeks of extended unemployment benefits; extends benefits for an additional six week in states with unemployment over 8.5 percent.
- Helps 1.3 million who will exhaust all of their unemployment benefits by the end by year.
- Extending unemployment benefits is also one of the most cost-effective and fast-acting ways to stimulate the economy because the money is spent quickly. Every \$1 spent on unemployment benefits generates \$1.63 in new economic demand. [Mark Zandi, chief economist of Moody's Economy.com]
- These provisions would not add to the deficit: the bill extends the Federal unemployment tax through June 30, 2011, a tax that has been in place for more than 30 years and that President Bush proposed to extend.

Need for Immediate Action is Real

- **Job Losses Declining:** In September, American job losses totaled 263,000 – two-thirds less than the job loss in January. The rate of job losses has started to decline – from an average of 673,000 per month in the final three months of the Bush Administration to 256,000 during the past three months. Job losses total 7.2 million since the recession began in December 2007.
- **But ... Unemployment Likely to Worsen:** In September, the unemployment rate increased to 9.8 percent – the highest level in 26 years – and is likely to get worse, with 15.1 million Americans looking for work. The underemployment rate reached 17 percent and a record 5.4 million workers have been looking for work for six months or more. There are 6.3 job seekers for every available job.

Help for Homebuyers, Including Military Families

- Extends the \$8,000 homebuyer tax credit to first-time homebuyers with a binding contract before April 30, 2010, allowing 60 days to close. (Currently, it will expire November 30, 2009.)
- As soon as the President signs this bill into law, it will expand the homebuyer tax credit to more families –
 - phasing out for individuals with income above \$125,000 and for joint filers with income about \$225,000 (the current law credit phases out for individuals with income starting at \$75,000 and for joint filers with income starting at \$150,000) and
 - making a \$6,500 credit available to homebuyers who have been in their current residence for five or more consecutive years out of the last eight years
- The credit is available for the purchase of principal residences with a purchase price of up to \$800,000.
- To help service members take full advantage of homebuyer incentives in the Recovery Act, the bill:
 - Ensures that certain payments under the Defense Housing Assistance Program (HAP) to assist military personnel selling a home that has declined in value are exempt from tax;
 - Ensures service members will not have to repay the first-time home buyer credit if they are ordered to deploy to a different location and, as a result, forced to sell their home within three years; and
 - Extends for one year, to April 31, 2011, the deadline for taking advantage the first-time homebuyer credit for qualifying service members, so that certain service members stationed overseas can take advantage of the credit when they return.
- To combat abuse, the bill improves administration of the homebuyers' tax credit by:
 - Requiring a minimum age of 18 to claim the credit
 - Requiring taxpayers to include documentation to prove that they purchased a home
 - Authorizing IRS to look at prior year returns and determine if a taxpayer is eligible for the credit
 - Improving tax administration by increasing the number of electronic returns filed by return preparers

Tax Relief for Struggling Businesses/ 5-Year NOL Carryback

- Allows businesses to use net operating losses from 2008 or 2009 to offset profits from five previous years, up from two years. In many cases, that would result in refunds to struggling businesses. Businesses would only be able to offset 50 percent of their income from the fifth year.
- Small businesses who have already elected to carry back 2008 under the American Recovery and Reinvestment Act may also elect to carry back losses from 2009.

Fully Paid for:

- **Delay tax break for foreign interest payments (worldwide allocation of interest).** The bill delays for seven years (through 2017) a questionable tax break enacted in 2004 that would let U.S. multinational companies that have shipped jobs overseas reduce their U.S. taxes by deducting more of their worldwide interest income against their U.S. income. This provision has not gone into effect, and not one company currently utilizes this provision.
- **Increases the penalty for failure to file a partnership or S corporation return.**