

Obama Signs Homebuyer Tax Credit Extension

President Barack Obama has signed the extension of the First-Time Homebuyer Tax Credit, along with an extension of unemployment benefits.

The bill allows those buying a primary residence for the first time to claim 10 percent of its purchase price, up to \$8,000 for single taxpayers or married taxpayers filing jointly.

“The duration of the availability of the credit, the allowable income ranges of purchasers and the restriction to first-time buyers have all been liberalized,” said CCH principal federal tax analyst Mark Luscombe.

The credit has been extended in time to cover purchases made before May 1, 2010. However, if a purchaser signs a binding contract by that date, the purchase will still qualify as long as closing takes place before July 1, 2010. Members of the military serving outside the United States for at least 90 days can take advantage of the credit until June 30, 2011.

The income range for eligible purchasers has been expanded so that the credit doesn't begin to phase out until the modified adjusted gross income of purchasers exceeds \$125,000 for single filers, \$225,000 for joint filers. The old phase-out thresholds were \$75,000 and \$125,000, respectively.

The credit has also been expanded to cover purchases of a new principal residence by people who have lived in their current principal residences for at least five out of the last eight years. However, they will only be eligible for a \$6,500 maximum credit.

One rule that isn't changing is that a purchaser can treat the purchase as having occurred on December 31 of the previous year, and claim the credit against that year's taxes.

Responding to concerns about fraud and misuse of the credit, the legislation also caps the purchase price of eligible homes at \$800,000, excludes purchasers under 18 years of age and tightens other requirements.

Earlier this year, the American Recovery and Reinvestment Act allowed businesses to carry back net operating losses (NOLs) from 2008 for three, four or five years rather than the standard two years, but limited this opportunity to businesses with average gross receipts of no more than \$15 million. The new law provides a similar election to all U.S. businesses of every size, but with a 50-percent income limit on NOL offsets in the fifth year. The provision applies to NOLs incurred in either 2008 or 2009, but not for both

years. However, a small business that elected to carry back 2008 NOLs under the Recovery Act can make the election for an additional year, carrying back NOLs from both 2008 and 2009 for up to five years.

“This is a major expansion of the NOL rules,” Luscombe said. “Like the homebuyer’s credit, it can produce a quick refund from an amended return, which businesses can use for any purpose they wish.”

The bill would also require electronic filing by all return preparers “except those who neither prepare nor reasonably expect to prepare ten or more individual income tax returns in a calendar year.” The measure is effective for returns prepared after Dec. 31, 2010.

It also extends unemployment benefits for 14 weeks. The 27 states with unemployment rates of 8.5 percent or higher would gain an extra six weeks on top of that, but all states would be eligible for the 14 weeks of extended benefits.