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## Worker, homeownership, and business assistance act of 2009

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One of the shortest tax bills in modern time, containing only 18 provisions, passed the Congress and was signed into law on Nov. 6, 2009. Notwithstanding its brevity, the legislation contains some very significant provisions for workers, homeowners and businesses.

### Credits for home ownership

Under the Housing Assistance Tax Act of 2008, a taxpayer who was a first-time home buyer was eligible for a 10-percent (of the purchase price) refundable credit equal to the lesser of \$7,500 (\$3,750 for a married taxpayer filing separately) or 10 percent of the purchase price of a principal residence. The credit phased out for individual taxpayers with modified adjusted gross income in the year of purchase between \$150,000 and \$170,000 for joint filers, \$75,000 to \$95,000 for those married filing separately. The credit was recaptured over 15-years with no interest charge beginning in the second taxable year after the taxable year in which the home was purchased. In the event the taxpayer sold the home or the home ceased to be used as the principal residence of the taxpayer or the taxpayer's spouse, before complete repayment of the credit, any remaining credit amount was due on the return for the year the home was sold or ceased to be used as the principal residence. The provision was effective for qualifying home purchases on or after April 9, 2008, and before Dec. 1, 2009.

In 2009, Congress passed and the President signed the American Recovery and Reinvestment Act of 2009 which increased the maximum 10 percent first-time home buyer tax credit from \$7,500 to \$8,000. The Act also eliminated any required repayment after 36 months in the home for any credit allowed for the purchase of a principal residence after Dec. 31, 2008 and before Dec. 1, 2009, the date set for termination of the first-time home buyer credit program. The phase-out continued at the same levels for the credit authorized in 2009.

The legislation signed on Nov. 6, 2009 extended the \$8,000 tax credit for first-time home buyers through April 30, 2010. The new legislation also authorizes a reduced credit of \$6,500 for individuals (and, if married, the individual's spouse) who have owned and used the same residence as their principal residence for any five consecutive-year period during the eight year period ending on the date of purchase of a subsequent principal residence. The individual or individuals are considered to be a first-time home buyer. The income phase-out is changed from \$75,000/ \$150,000 to \$125,000/ \$225,000. The new law specifies that the pur-

chase price of the residence cannot exceed \$800,000 and the purchaser must have attained the age of 18-years unless the taxpayer is married and one of the spouses meets the age requirement. The new rules also provide that the residence cannot be acquired from the spouse's family by gift or inheritance (where the income tax basis carries over), in addition to the related party limitations in the earlier enactment. Special rules apply to military personnel.

### Five-year carryback of net operating losses

The American Recovery and Reinvestment Act of 2009 provided for a three, four or five year carryback of 2008 net operating losses (the choice was up to the taxpayer) but only for qualified small businesses with average gross receipts of \$15 million or less.

Under the legislation signed into law on Nov. 6, 2009, law, for net operating losses for a taxable year ending after Dec. 31, 2007 and beginning before Jan. 1, 2010 (basically 2008 and 2009), the net operating loss by election can be carried back as many as five years and is open to all businesses (except for those receiving funds under the Troubled Asset Relief Program—TARP—if the federal government acquired or had the right to acquire an equity interest in the firm). However, an election may be made for only one taxable year. For elections to carry back the NOL to the fifth taxable year preceding the taxable year of the loss, the amount of NOL is limited to 50 percent of the taxpayer's taxable income for all except for elections by small businesses.

These provisions do not apply to farming losses. Farming losses have been eligible for five year carryback since 1998.

### Failure to file penalty for S corporation and partnership returns

The legislation raises the penalty for failure to file an S corporation or partnership return from \$89 to \$195 per shareholder or partner per month for a maximum of 12 months. The change is effective for tax years beginning after Dec. 31, 2009.

### Mandatory e-filing

Tax return preparers, except for those expecting to file 10 or fewer individual income tax returns during the calendar year, are required to e-file the returns, effective for returns filed after 2010. This applies to taxes imposed by subtitle A of the Internal Revenue Code (income tax).

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### FUTA surtax

The new law extends the 0.2 percent FUTA surtax through 2010 and for the first six months of calendar year 2011. Thus, the 6.2 percent rate will continue into the first half of 2011.

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### Unemployment benefits

The legislation provides 14 additional weeks of unemployment benefits to all unemployed workers who exhaust their benefits and six additional weeks of benefits to unemployed workers who exhaust their benefits in states with 8.5 percent unemployment or more.

*Updates, continued from page 1*

### Internet Updates

The following updates have been added on [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm).

**Understanding Cash Flow Analysis** – C3-14 (4 pages)

**Understanding Net Worth** – C3-19 (3 pages)

**Understanding Profitability** – C3-24 (5 pages)

**Building Equity in Your Farm** – C3-60 (3 pages)

**Obtaining a Business Loan** – C5-95 (4 pages)

**Forming a Viable Project Committee and Holding Successful Meetings** – C5-110 (3 pages)

**Top Management and Key Personnel Positions in a Business** – C5-111 (2 pages)

**Designing Successful Business Teams** – C5-114 (2 pages)

**Solving Conflicts between Business Associates** – C5-115 (2 pages)

**Improving Business Communication Skills** – C5-116 (2 pages)

**Keys to Successful Planning for Strengthening your Business** – C5-150 (2 pages)

**Assessing Agricultural Processing Business Opportunities** – C5-230 (5 pages)

### Decision Tools and Current Profitability

The following tools have been added or updated on [www.extension.iastate.edu/agdm](http://www.extension.iastate.edu/agdm).

**Season Average Price Calculator** – A2-15

**Projected ACRE Payments for Iowa Crops** – A1-33

**Corn Profitability** – A1-85

**Soybean Profitability** – A1-86

**Ethanol Profitability** – D1-10

**Biodiesel Profitability** – D1-15

**Returns for Farrow-to-Finish** - B1-30

**Returns for Weaned Pigs** - B1-33

**Returns for Steer Calves** - B1-35

**Returns for Yearling Steers** - B1-35

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