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Congressman Danny K. Davis (D-IL07) today spoke out for, and voted in favor of, extending Unemployment Benefits, the Home Buyer Credit and a Small Business Net Operating Loss Carryback. The vote today approved amendments added by the Senate to the legislation passed by the House of Representatives six weeks ago. The legislation is expected to be signed by President Obama tomorrow. The provisions of the bill include the following.

Emergency Unemployment Benefits Extension

This proposal would extend unemployment insurance by up to 14 additional weeks for jobless workers and extend benefits for six additional weeks for workers in states with unemployment levels over 8.5 percent.

Additionally, the proposal would:

Ensure that the additional $25 per week in unemployment insurance benefits provided by the Recovery Act do not count against a family's eligibility for the Supplemental Nutritional Assistance Program, formerly known as food stamps;

Update the Unemployment Insurance Modernization provisions in the Recovery Act to provide that victims of sexual assault who have left their jobs have a "compelling family reason" for benefits; and

Specify that railroad workers who face expiring unemployment benefits will be eligible for the extension of benefits.

Allow states to temporarily pay tier three benefits before tier two benefits in order to avoid payment delay and to ease implementation of Emergency Unemployment Compensation benefits. Tier two and tier three benefits must be exhausted before an individual may qualify for tier four benefits.

This proposal is estimated to cost $2.4 billion over 10 years.

Offset - This proposal is fully offset by an extension of the Federal Unemployment Tax Act (FUTA) until June 30, 2011.

Business and Homebuyer Assistance

Homebuyer credit - Under current law, the First-Time Homebuyer Tax Credit is a refundable tax credit available to an individual buying a principal residence for the first time. The credit phases out for individuals with income between $75,000 and $95,000 and for joint filers with income between $150,000 and $170,000. For purchases made on or after January 1, 2009 and before December 1, 2009 the tax credit is equal to the lesser of $8,000 or 10 percent of the purchase price of the residence. Individuals must repay the credit only if the principal residence is disposed of within 36 months of purchase. For purchases made on or after April 9, 2008 and before January 1, 2009, the tax credit is equal to the lesser of $7,500 or 10 percent of the purchase price of the residence. Individuals purchasing homes in 2008 are also required to repay the credit over 15 years. This proposal would extend the availability of a homebuyer credit to homes under a binding contract before April 30, 2010, allowing 60 days to close.

The other modifications are as follows:

1) The credit is phased out for individuals with income above $125,000 and for joint filers with income about $225,000.

2) An $8,000 credit is available to all first-time homebuyers.

3) A $6,500 credit is available to homebuyers who have been in their current residence for the last five years or more.

4) The credit is available only for the purchase of principal residences with a purchase price of $800,000 or less.

5) The proposal incorporates Senator McCaskill's proposal in the Service Members Home Ownership Tax Act of 2009 to eliminate the recapture requirement for military personnel, including members of the Foreign Service and intelligence community, forced to sell as a result of an official extended duty of service and to allow military personnel serving outside the United States for at least 90 days in 2009 or 2010 one additional year to qualify for the credit.

6) The proposal includes anti-fraud language.

7) The proposal also includes math error authority for the IRS.

This proposal is estimated to cost $10.8 billion over 10 years.

Five-Year Carryback of Net Operating Losses - Under current law, net operating losses may generally be carried back for two years. In the American Recovery and Reinvestment Act of 2009, the net operating loss carryback period was extended from two to five years for tax years beginning in or ending in 2008 for small businesses with gross receipts of $15 million or less. This proposal would allow all businesses to carryback net operating losses for up to five years for losses incurred either in 2008 or 2009, but not both (at the election of the taxpayer). Businesses would be able to offset 50 percent of the available income from the fifth year and 100 percent of all income in the remaining four carryback years. 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. This proposal is estimated to cost $10.4 billion over 10 years.

Military Homeowner Assistance Program (HAP) - Under current law, military personnel who sell a home that has declined in value as a result of a base closure can receive a HAP payment to adjust for the decline. These payments are tax exempt. In the 2009 stimulus bill, the HAP program was expanded to military personnel selling their home as a result of a permanent reassignment and other purposes. Payments received as a result of the 2009 stimulus bill expansion are not tax exempt. The proposal makes all HAP payments tax exempt. This proposal is estimated to cost $243 million over 10 years.

Offsets:

Delay implementation of worldwide allocation of interest - In 2004, Congress provided taxpayers with an election to take advantage of a rule for allocating interest expense between United States sources and foreign sources for purposes of determining a taxpayer's foreign tax credit limitation. Although enacted in 2004, this election was not available to taxpayers until taxable years beginning after 2008. Last year, the phase-in of this rule was delayed for two years (for taxable years beginning after 2010). This proposal would delay the phase-in of this rule for an additional seven years (for taxable years beginning after 2017). This proposal is estimated to raise $20 billion over 10 years.

Increases the penalty for failure to file a partnership or S corporation return - The bill would increase the penalties for failure to file a partnership return or an S corporation return. For taxable years beginning after 2010, the base penalty will be increased by $106 (from $89 to $195). This provision is estimated to raise $1.2 billion over 10 years.