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**SENATORS PRAISE APPROVAL OF BAUCUS-REID LEGISLATION
FOR OUT-OF-WORK AMERICANS, TAX RELIEF FOR STRAINING BUSINESSES,
MEASURES FOR MILITARY FAMILIES AND A STABLE HOUSING MARKET**

Worker, Homeownership and Business Assistance Act Passes Senate

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.), Senate Majority Leader Harry Reid (D-Nev.) and Senators Jack Reed (D-RI) and Jeanne Shaheen (D-NH) lauded Senate passage today by a vote of 98 to 0 of legislation to extend unemployment insurance benefits to out-of-work Americans in every state by up to 14 weeks and extend benefits for up to six weeks in states with unemployment levels over eight and a half percent. The bill extends help to nearly two million jobless Americans whose benefits are set to expire by the end of the year and is fully paid for by an extension of the Federal Unemployment Tax Act (FUTA) through June 30, 2011. Other co-sponsors of the *Worker, Homeownership and Business Assistance Act of 2009* include a bipartisan group of 32 senators.

“With 15 million Americans still unemployed and vying for just three million available jobs, we did the right thing today by passing this bill and doing it in a fiscally-responsible way. Today, families that depend on this help to pay their rent and stay in their home are a step closer to getting assistance. Today we acted, and not a moment too soon,” Baucus said. **“Today, we gave unemployed Americans the chance they need to get back on their feet, get through this tough time and get working again.”**

“Today’s passage of this important measure will provide critical relief for the thousands of Nevadans and millions of Americans who have been struggling to find work in a difficult economy in recent months,” said Senate Majority Leader Harry Reid. **“Not only does this legislation provide long-awaited assistance to out-of-work Americans, but it will also help to strengthen our domestic housing market with the extension of Homebuyer Tax Credit and give well-deserved support to America’s military families through the Military Homeowner Assistance Program. While I’m disappointed that today’s action was delayed almost an entire month because of stalling tactics by the Republicans, I’m heartened that we are finally able to provide help to the many families who continue to struggle around the nation.”**

“After weeks of Republican delay, I am pleased we were finally able to pass this extension of unemployment benefits and tax cuts, which will provide a boost to our economy and real economic relief to millions of Americans still struggling under the weight of the Bush recession,” said Sen. Jack Reed. **“Today’s overwhelming victory demonstrates we never lacked the 60 votes to move to cloture; what we lacked was unanimous consent from our Republican colleagues so the bill could move forward. In delaying this bill, Senate Republicans denied unemployment benefits to thousands of middle-class families and millions of dollars in economic aid to their own states. Those who think impeding economic recovery and derailing health care reform serves the interests of the American people are sorely mistaken. The American people want progress and results. Today we gave them both.”**

“Many of our nation’s unemployed workers have been anxiously waiting for these benefits to come through, and I’m happy to report that relief is on the way. I am proud of the bill that passed the Senate today – it will help nearly 2 million Americans who are still unable to find work, protect small businesses struggling in this challenging economic climate, and stimulate economic activity to help create jobs and grow our economy. Our work to stabilize the economy and create jobs does not stop here, but we took an important step today to do the right thing for American workers and their families,” Shaheen said.

The Baucus-Reid substitute amendment also extends the first-time homebuyer and net operating loss carryback tax relief provisions. The homebuyer tax credit extension, developed in cooperation with Senator Johnny Isakson (R-Ga.) and Senator Chris Dodd (D-Conn.), continues the \$8,000 first-time homebuyer credit through April 30, 2010, allowing purchasers under a binding contract an additional 60 days to close after that date. It also provides a \$6,500 credit to new purchasers who have lived in their current residence for five years or more.

The net operating loss carryback (NOL) provision is expanded to allow U.S. companies of every size to carry back losses incurred in either 2008 or 2009 against income earned in any of the five prior years, limited to 50 percent of the taxpayer’s income in the fifth year. The NOL carryback provision reflects legislation introduced by Senators Baucus and Olympia Snowe (R-Maine) earlier this year. Additionally, the bill includes a provision put forward by Senator Claire McCaskill (D-Mo.) that would make payments under the Military Homeowner Assistance Program (HAP) tax-exempt for military personnel.

Baucus continued, “This bill also includes important tax relief for military families and businesses, including the NOL carryback provision, to breathe life back into strained companies, the homebuyer tax credit extension to shore up a weakened housing market and tax relief on housing for our nation’s military families. Millions of American businesses and families will benefit from our action in joining together to pass this vital legislation.”

The Baucus tax relief amendment is offset in part by a delay in implementation of worldwide allocation of interest. An additional offset would increase the penalties on companies that fail to file a partnership or S corporation federal tax return.

The *Worker, Homeownership and Business Assistance Act* includes improvements to the American Recovery and Reinvestment Act to allow families receiving the Supplemental Nutrition Assistance Program (SNAP), or food stamps, to remain eligible while receiving an additional \$25 per week in unemployment insurance benefits. The bill also updates the Unemployment Insurance Modernization provision in the American Recovery and Reinvestment Act to allow victims of sexual assault who have left their job to be eligible for benefits under the "compelling family reasons" clause. Additionally, the legislation specifies railroad workers facing expiring unemployment benefits would be eligible for additional weeks.

A full summary of the Senate substitute to the Emergency Unemployment Compensation Extension Act follows here:

Senate Substitute to Emergency Unemployment Compensation Extension Act
Worker, Homeownership and Business Assistance Act of 2009
November 4, 2009

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.*

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