

■NAHB is celebrating a major victory

now that Congress has passed, and President Obama has signed, legislation that will extend the first-time home buyer tax credit into next year and expand its eligibility to include many more home buyers. The new law also provides relief to cash-strapped home builders by broadening tax benefits for businesses with net operating losses (NOLs).

NAHB fought harder than any other group to achieve this win for our members, and all of us should be extremely proud to have accomplished such an important undertaking that will make a huge difference in furthering a housing and economic recovery. The legislation, which President Obama signed into law on Friday afternoon, was overwhelmingly approved in bipartisan votes of 98-0 in the Senate and 403-12 in the House. It will extend the \$8,000 tax credit for first-time home buyers to include sales contracts entered into by April 30, 2010 and closed by June 30. It will also provide a new \$6,500 credit for owners of existing homes who are purchasing a new principal residence after living in their current one for five consecutive years out of the last eight. Beyond this, the income eligibility limits for claiming the full credit have also been raised (for both first-time and repeat buyers), to \$125,000 for individuals and \$225,000 for married couples. These changes should substantially increase the tax credit's ability to stimulate buyer demand across a much broader swath of the housing industry. In fact, close to 70% of all potential home buyers will now qualify for some form of the tax credit.



Economic Impacts of the Tax Credit

NAHB estimates that the extended and expanded home buyer tax credit will create 211,000 jobs and generate 180,000 additional home sales in the coming year. It is also expected to generate \$9.6 billion in wage income and \$6.9 billion in federal, state and local taxes.

NOL Tax Relief

For NOLs, the new law will allow all businesses - regardless of size - with operating losses in 2008 or 2009 to claim refunds on taxes paid up to five years ago. (Prior law only allowed a two-year carryback.) Small businesses with less than \$15 million in gross receipts would be able to claim a five-year carryback for 2008 losses and for 2009 losses; companies above that limit could take advantage of the five-year carryback for operating losses in *either* 2008 or 2009. Businesses can offset 100% of taxable income with NOLs carried back in years one through four and offset 50% of income in year five (small businesses carrying back 2008 losses to year 5 can continue to offset 100% as under ARRA). The new rules also suspend limitations on claiming NOLs for taxpayers, such as small businesses, that paid AMT in prior years. These legislative changes will throw a lifeline to struggling businesses, allowing them to continue making payrolls, paying business loans and otherwise keeping their doors open until the economic recovery takes hold.

Timing Is Crucial

Importantly, congressional leaders have made it very clear that no further extensions will be forthcoming for the home buyer tax credit beyond the April 30 deadline (June 30 for closed deals). Said Sen. Johnny Isakson (R-GA), a long-time champion of the credit, "Tax credits like this only work by creating the sense of urgency to take advantage of it and to bring the market back." And Senate Finance Committee Chairman Max Baucus (D-MT) has specifically said that "It's important that this tax credit does not become a permanent fixture in the tax code." With this in mind, we have a limited window in which to get the word out to prospective home buyers about the opportunity that has just been opened to them. Going forward, we will be utilizing every communication channel possible to broadcast news of the tax credit, and we will be providing multiple resources for our members to use in promoting this valuable buyer incentive.

Promotional Materials

Newly developed [talking points](#) and a [fact sheet](#) on the tax credit are now available. Additional NAHB resources will be ready in the next few days to help you understand and promote this incentive; check www.nahb.org/taxcreditmaterials to access these items as they become available. Most

importantly, NAHB's **FederalHousingTaxCredit.com** site will continue to be the most authoritative and comprehensive source available for consumer information and answers to frequently asked questions on the tax credit.

More Work to Do

While this legislation signifies the successful achievement of two of the major goals within NAHB's *Revive Housing, Restore America* campaign, our work continues on that campaign's two other primary goals - expanding the flow of credit for housing production and resolving ongoing problems with the appraisals process. Stay tuned for further updates from NAHB, and THANK YOU to all of our readers for your support and involvement in the massive NAHB grassroots effort that helped push this one over the goal line! Contact: MondayMorningQuestions@nahb.com.