SERVICE MEMBERS HOME OWNERSHIP TAX ACT OF 2009

Clarify tax treatment of amounts received under the Department of Defense Homeowner's Assistance Program. The *American Recovery and Reinvestment Act of 2009* ("Recovery Act") expanded the Homeowner's Assistance Program ("HAP"), which is administered by the Department of Defense to assist military personnel selling a home that has declined in value as a result of a base closure or realignment. Payments made to military personnel under the HAP as in effect on November 11, 2003 are tax exempt. To address the mortgage crisis, the Recovery Act modified the HAP to make it easier for military personnel to qualify for this assistance and also expanded the HAP to include similar payments to (1) wounded members (and their spouses) of the Armed Forces, Department of Defense, or the United States Coast Guard and (2) members of the Armed Forces that purchased a home before July 1, 2006 and are subsequently permanently reassigned between July 1, 2006 and September 30, 2012. However, the Recovery Act did not include a corresponding expansion of the tax exemption for these new beneficiaries of the HAP. As a result, any payments made as a result of the HAP expansion included in the Recovery Act are not tax exempt. The bill would extend the tax exemption for HAP benefits to the expanded benefits included in the Recovery Act. *This proposal has been estimated to cost $232 million over ten years.*

Waiver of recapture of first-time homebuyer credit for individuals on qualified official extended duty. First-time homebuyers are allowed to claim a tax credit of up to $8,000 in connection with the purchase of a home before December 1, 2009. This credit phases out for taxpayers with adjusted gross income in excess of $75,000 ($150,000 in the case of a joint return). For homes purchased in 2009, this credit must be paid back to the government if the house is sold (or ceases to be used as a principal residence) within three years of purchase. For purchases in 2008, additional recapture rules apply. This recapture provision can prevent military families, members of the Foreign Service, and members of the intelligence community from benefiting from the homebuyer credit because these families may be forced to sell their homes within the three year period if they are ordered by the U.S. Government to deploy to a different location. The bill would clarify that the first-time homebuyer credit does not need to be paid back to the government if the house is sold (or ceases to be used as a principal residence) by a member of the U.S. uniformed services, a member of the Foreign Service of the United States, or a member of the U.S. intelligence community in connection with a government order for qualified official extended duty service. *This proposal and the proposal below have been estimated to cost $77 million over ten years.*

Extension of first-time homebuyer credit for individuals on qualified official extended duty outside of the United States. First-time homebuyers are allowed to claim a tax credit of up to $8,000 in connection with the purchase of a home before December 1, 2009. This credit phases out for taxpayers with adjusted gross income in excess of $75,000 ($150,000 in the case of a joint return). Military families, members of the Foreign Service, and members of the intelligence community that serve on qualified official extended duty during 2009 may be prevented from benefiting from the homebuyer credit because these families may be outside the country and unable to purchase a home before the December 1, 2009 expiration date. The bill would provide members of the U.S. uniformed services, members of the U.S. Foreign Service, and members of the U.S. intelligence community with an additional year to qualify for the first-time homebuyer credit if such member served on qualified official extended duty service outside of the United States for at least 90 days in calendar year 2009. *This proposal and the proposal above have been estimated to cost $77 million over ten 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 penalty will be increased by $21 (from $89 to $110). *This provision is estimated to raise $327 million over ten years.*