CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 25, 2009

H.R. 3548
Worker, Homeownership, and Business Assistance Act of 2009

As cleared by the Congress on November 5, 2009,
and signed by the President on November 6, 2009

SUMMARY

H.R. 3548 (enacted as Public Law 111-92) amends provisions for emergency unemployment compensation, extends the federal unemployment tax act (FUTA) surtax, extends and modifies the first-time homebuyer tax credit, increases the carry back period for net operating losses, delays the application of worldwide allocation of interest, and makes other changes to tax provisions.

CBO estimates that H.R. 3548 will increase direct spending by $6.6 billion over the 2010-2014 and 2010-2019 periods, with almost all of that impact falling in 2010 and 2011. CBO and the Joint Committee on Taxation (JCT) estimate that H.R. 3548 will reduce revenues by $39.0 billion in 2010, but yield a net increase in revenues of $6.7 billion over both the 2010-2014 and 2010-2019 periods.

CBO and JCT estimate that H.R. 3548 will increase the 2010 deficit by $44.7 billion, but will reduce the deficit by $106 million over the 2010-2014 period and by $37 million over the 2010-2019 period.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated impact of H.R. 3548 on direct spending and revenues is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

ESTIMATE OF H.R. 3548, THE WORKER, HOMEOWNERSHIP, AND BUSINESS ASSISTANCE ACT OF 2009

	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN DIRECT SPENDING												
Emergency Unemployment Compensation and SNAP												
Estimated Budget Authority	2,420	0	0	0	0	0	0	0	0	0	2,420	2,420
Estimated Outlays	2,420	0	0	0	0	0	0	0	0	0	2,420	2,420
Extend and Modify First-time Homebuyer Credit [a]												
Estimated Budget Authority	3,288	929	2	0	0	0	0	0	0	0	4,219	4,219
Estimated Outlays	3,288	929	2	0	0	0	0	0	0	0	4,219	4,219
Total Changes in Direct Spending												
Estimated Budget Authority	5,708	929	2	0	0	0	0	0	0	0	6,639	6,639
Estimated Outlays	5,708	929	2	0	0	0	0	0	0	0	6,639	6,639
CHANGES IN REVENUES [b]												
On-Budget Revenues												
Extend the FUTA Surtax	1,009	1,240	329	0	0	0	0	0	0	0	2,578	2,578
Extend and Modify First-time Homebuyer Credit	-6,672	-1,826	680	668	473	30	24	11	4	3	-6,676	-6,604
Increase NOL Carry Back Period to Five Years	-33,197	5,870	5,202	3,808	2,673	1,877	1,319	928	653	461	-15,645	-10,407
Delay Implementation of Worldwide Interest Allocation Until 2018	0	494	1,362	3,077	3,200	3,328	3,361	3,475	1,826	0	8,133	20,123
Exclude from Gross Income Certain Payments to Military Personnel	-80	-28	-10	-8	-7	-7	-5	-5	-5	-6	-134	-163
Increase the Penalty for Failure to File Partnership Returns	0	0	2	39	92	95	98	102	105	109	134	642
Increase Penalty to Failure to File an S Corporation Return	0	0	2	36	84	87	90	93	96	99	122	587
Corporate Tax Shift	0	0	0	0	18,298	-18,298	0	0	0	0	18,298	0
Total Changes in On-Budget Revenues	-38,940	5,750	7,567	7,620	24,813	-12,888	4,887	4,604	2,679	666	6,810	6,756

(Continued)

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	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
Off-Budget Revenues												
Exclude from Gross Income Qualified Military Base Realignment and Closure Fringe	-39	-13	-5	-4	-4	-4	-3	-3	-3	-3	-65	-80
Total Changes in Revenues	-38,979	5,737	7,562	7,616	24,809	-12,892	4,884	4,601	2,676	663	6,745	6,676
Net Effect on the Budget [c]	44,687	-4,808	-7,560	-7,616	-24,809	12,892	-4,884	-4,601	-2,676	-663	-106	-37
On-Budget [c]	44,648	-4,821	-7,565	-7,620	-24,813	12,888	-4,887	-4,604	-2,679	-666	-171	-117
Off-Budget [c]	39	13	5	4	4	4	3	3	3	3	65	80

Notes: Components may not sum to totals because of rounding. SNAP = Supplemental Nutrition Assistance Program; FUTA = Federal Unemployment Tax Act; NOL = Net Operating Loss.

a. Estimate provided by the Joint Committee on Taxation.

b. All revenue estimates, except FUTA surtax, were provided by the Joint Committee on Taxation. (The FUTA surtax estimate was completed by the Congressional Budget Office.)

c. A positive number reflects an increase in the deficit; negative numbers reflect a decrease in the deficit.

BASIS OF ESTIMATE

H.R. 3548 (enacted as Public Law 111-92) affects both direct spending and revenues as detailed below.

Direct Spending

CBO and JCT estimate that H.R. 3548 will increase direct spending by $6.6 billion over the 2010-2019 period by providing additional benefits for emergency unemployment compensation (EUC) and extending and expanding the first-time homebuyer tax credit. Nearly all of the impact will occur in the next two years, with a cost of $5.7 billion in 2010 and $0.9 billion in 2011.

Emergency Unemployment Compensation. H.R. 3548 increases by up to 20 weeks the time that individuals may be eligible to receive EUC, which is currently available to individuals who exhaust their regular unemployment compensation. Under previous law, individuals could receive up to 33 weeks of EUC—20 weeks of benefits were available in all states, and an additional 13 weeks were available in states where the unemployment rate exceeded 6 percent. The new law increases the second tier of benefits by one week and eliminates the requirement that a state's unemployment rate exceed any level, so that individuals in all states who exhaust their first tier of 20 weeks of benefits could receive an additional 14 weeks. In addition, the law adds a third and fourth tier of benefits which would be available to exhaustees of the other tiers in states where the unemployment rate exceeds 6 percent (13 weeks) and 8.5 percent (for an additional 6 weeks). Thus, individuals in states with the highest unemployment rates could receive up to 53 weeks of EUC, as compared with 33 weeks under previous law. The EUC program is closed to new beneficiaries beginning January 1, 2010, and individuals cannot go on to subsequent tiers of benefits after that date. CBO estimates that benefits totaling $2.1 billion will be paid in 2010 under the new provisions.

The law also provides a mandatory appropriation of $175 million to cover extended unemployment benefits under the railroad unemployment insurance act through December 2010.

Supplemental Nutrition Assistance Program. The new law requires states to disregard $25 per week in additional unemployment benefits when determining an individual's eligibility under the Supplemental Nutrition Assistance Program (SNAP), formerly known as the Food Stamp program. CBO estimates that disregarding that income will result in higher SNAP benefits of about $100 million in 2010.

Extend and Modify the First-time Homebuyer Credit. The act extends the date by which first-time home purchasers must buy a home in order to qualify for the existing homebuyer tax credit, expands the credit to include certain home purchasers who already own a home, raises the income thresholds at which the credit phases out, and makes other changes. The credit is refundable, meaning that home purchasers do not need to owe any income tax to receive the credit. JCT estimates that outlays for refundable credits will increase by about $3.3 billion in 2010, $0.9 billion in 2011, and a few million dollars in 2012. The provisions also result in revenue reductions of $6.6 billion over the 2010-2019 period, as discussed below under "Revenues."

Revenues

CBO and JCT estimate that Public Law 111-92 will reduce revenues by about $39 billion in 2010, and raise revenues by about $46 billion over the 2011-2019 period, resulting in an increase in revenues of about $7 billion over the 10-year period. The expected revenue losses in 2010 result almost entirely from two provisions: an increase in the period over which businesses are allowed to carry back their net operating losses, and an extension and modification of the first-time homebuyer credit. Revenue increases after 2010 will largely result from provisions that delay the implementation of rules governing how firms allocate certain interest expenses between domestic and foreign sources, and from the later impact of the net operating loss provisions.

Increase the Period over Which Net Operating Losses Can Be Carried Back. Public Law 111-92 will allow almost all firms to apply losses in 2008 and 2009 to their taxable income for up to five prior years (with a limited amount for the fifth prior year), instead of the two years otherwise generally allowed. As a result, firms can recalculate their income taxes owed in those prior years and potentially receive immediate refunds. A provision in the American Recovery and Reinvestment Act of 2009 allowed smaller firms to carry back their losses in 2008 for up to five years, and the new provision expands the scope to include all firms, except those that received funds under the Federal Troubled Asset Relief Program. The Joint Committee on Taxation estimates that the provision will reduce revenues by about $33 billion in 2010, and increase revenues by $23 billion over the 2011-2019 period, when fewer losses from 2008 and 2009 will be carried forward to reduce future taxable income. Thus, the net effect is to reduce revenues by about $10 billion over the 2010-2019 period.

Extend and Modify the First-time Homebuyer Credit. The act extends the refundable tax credit of up to $8,000 for first-time homebuyers, which was scheduled to expire for homes purchased after November 30, 2009. The credit now applies for homes purchased by June 30, 2010, if a sales contract is in place by April 30, 2010. The new law also expands the credit to current homeowners who have lived in their homes for at least five consecutive years out of the past eight, with a maximum credit of $6,500. The act also makes more individuals eligible for the credit by increasing the income limits above which the credit phases out: married couples with incomes of up to $225,000 ($125,000 for singles) now qualify for the full credit, up from $150,000 for married couples ($75,000 for singles) before the law change. The credit is now available only for homes with a purchase price of up to $800,000. JCT estimates that those changes will result in revenue reductions of about $7 billion in 2010 and $2 billion in 2011; and that it will increase revenues over the 2012-2019 period by about $2 billion, when some recapture of the credit applies to homeowners who sell their homes within three years of purchase. Because the credit is refundable, a portion of the new credits will be recorded as outlays: JCT estimates that outlays will increase by about $3 billion in 2009 and $1 billion in 2010.

Delay Implementation of Worldwide Interest Allocation Rules. The act delays until 2018 the implementation of certain tax rules that were scheduled to take effect in 2011. Those rules allow corporations with worldwide activities to reduce their U.S. income taxes by allocating more of their interest expenses to U.S. profits. Public Law 111-92 also repeals the prior one-year phase-in of the rules. JCT estimates that the provision will increase revenues by $8.1 billion over the 2011-2014 period and $20.1 billion over the 2011-2019 period.

FUTA Surtax Extension. The Federal Unemployment Tax Act imposes on employers an effective tax of 0.8 percent on the first $7,000 in wages paid annually to each employee. The 0.8 percent tax includes a 0.2 percent surtax that was scheduled to expire on December 31, 2009. Public Law 111-92 extends the surtax until June 30, 2011, which CBO estimates will increase revenues by about $1.0 billion in 2010 and $2.6 billion over the 2010-2012 period.

Other Provisions. The act provides an exclusion from taxable income for payments, authorized by the American Recovery and Reinvestment Act of 2009, to certain military personnel who sell their homes at a loss after a reassignment or certain other qualifying events. The payments will be excluded from income for purposes of income and payroll taxes. JCT estimates that the provision will reduce revenues by about $0.2 billion over the 2010-2019 period, including reductions of $0.1 billion from payroll taxes for Social Security, which are off-budget. The act also increases the penalties for failure to file tax returns for partnerships and S corporations, which JCT estimates will increase revenues by a total of about $1.2 billion over the 2012-2019 period. Additionally, for corporations with at least $1 billion in assets at the end of 2013, the act increases the portion of corporate estimated tax payments due in July through September of 2014, and decreases the portion due in subsequent payments for that tax year, which JCT estimates will increase revenues by about $18 billion in 2014, and reduce them by about $18 billion in 2015.

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