



TAX RELIEF FOR AMERICAN HOMEBUILDERS BAUCUS-GRASSLEY BUSINESS TAX PROVISION SAVES JOBS, HELPS STRUGGLING COMPANIES SURVIVE

The residential construction industry has lost nearly 300,000 jobs since March 2006 – 28,500 in December 2007 alone. Many homebuilders expect to lose more money this year than they made in the past two. The tax package crafted by Finance Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) in the housing bill will let these businesses write off current losses over a longer period of time, to recoup more of the cash they need to stay afloat.

Specifically, the Baucus-Grassley provision allows corporations to apply excess net operating losses (NOL) for 2008 and 2009 to tax returns from four prior profitable years, instead of the two currently allowed by law, and receive any applicable refunds. Extending NOL carryback will help struggling housing sector businesses in several ways.

- Homebuilders and other housing sector businesses particularly need cash to prevent layoffs, to avoid selling land and houses at distressed prices, and simply to shore up their lagging bottom lines.
- Increased cash flow from NOL refunds are extremely important to any business that is unable to borrow. Beyond keeping the doors open, much-needed cash infusions can even allow companies to invest in new equipment.
- Firms can access more tax benefits, such as normal depreciation benefits, if they purchase new assets with NOL refund cash.

To prevent abuse of this provision, businesses in a profitable position, or those already participating in Section 179 expensing of equipment for small businesses or bonus depreciation for business property, are ineligible for the extended NOL carryback benefit.