

Act, is amended by striking “or” at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting “, or”, and by adding at the end the following new paragraph:

“(4) the taxpayer fails to attach to the return of tax for such taxable year a properly executed copy of the settlement statement used to complete such purchase.”.

(c) RESTRICTION ON MARRIED INDIVIDUAL ACQUIRING RESIDENCE FROM FAMILY OF SPOUSE.—Clause (i) of section 36(c)(3)(A) of the Internal Revenue Code of 1986 is amended by inserting “(or, if married, such individual’s spouse)” after “person acquiring such property”.

(d) CERTAIN ERRORS WITH RESPECT TO THE FIRST-TIME HOME-BUYER TAX CREDIT TREATED AS MATHEMATICAL OR CLERICAL ERRORS.—Paragraph (2) of section 6213(g) the Internal Revenue Code of 1986, as amended by this Act, is amended by striking “and” at the end of subparagraph (N), by striking the period at the end of subparagraph (O) and inserting “, and”, and by inserting after subparagraph (O) the following new subparagraph:

“(P) an entry on a return claiming the credit under section 36 if—

“(i) the Secretary obtains information from the person issuing the TIN of the taxpayer that indicates that the taxpayer does not meet the age requirement of section 36(b)(4),

“(ii) information provided to the Secretary by the taxpayer on an income tax return for at least one of the 2 preceding taxable years is inconsistent with eligibility for such credit, or

“(iii) the taxpayer fails to attach to the return the form described in section 36(d)(4).”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to purchases after the date of the enactment of this Act.

(2) DOCUMENTATION REQUIREMENT.—The amendments made by subsection (b) shall apply to returns for taxable years ending after the date of the enactment of this Act.

(3) TREATMENT AS MATHEMATICAL AND CLERICAL ERRORS.—The amendments made by subsection (d) shall apply to returns for taxable years ending on or after April 9, 2008.

SEC. 13. 5-YEAR CARRYBACK OF OPERATING LOSSES.

(a) IN GENERAL.—Subparagraph (H) of section 172(b)(1) of the Internal Revenue Code of 1986 is amended to read as follows:

“(H) CARRYBACK FOR 2008 OR 2009 NET OPERATING LOSSES.—

“(i) IN GENERAL.—In the case of an applicable net operating loss with respect to which the taxpayer has elected the application of this subparagraph—

“(I) subparagraph (A)(i) shall be applied by substituting any whole number elected by the taxpayer which is more than 2 and less than 6 for ‘2’,

“(II) subparagraph (E)(ii) shall be applied by substituting the whole number which is one less than the whole number substituted under subclause (I) for ‘2’, and

“(III) subparagraph (F) shall not apply.

“(ii) APPLICABLE NET OPERATING LOSS.—For purposes of this subparagraph, the term ‘applicable net operating loss’ means the taxpayer’s net operating loss for a taxable year ending after December 31, 2007, and beginning before January 1, 2010.

“(iii) ELECTION.—

“(I) IN GENERAL.—Any election under this subparagraph may be made only with respect to 1 taxable year.

“(II) PROCEDURE.—Any election under this subparagraph shall be made in such manner as may be prescribed by the Secretary, and shall be made by the due date (including extension of time) for filing the return for the taxpayer’s last taxable year beginning in 2009. Any such election, once made, shall be irrevocable.

“(iv) LIMITATION ON AMOUNT OF LOSS CARRYBACK TO 5TH PRECEDING TAXABLE YEAR.—

“(I) IN GENERAL.—The amount of any net operating loss which may be carried back to the 5th taxable year preceding the taxable year of such loss under clause (i) shall not exceed 50 percent of the taxpayer’s taxable income (computed without regard to the net operating loss for the loss year or any taxable year thereafter) for such preceding taxable year.

“(II) CARRYBACKS AND CARRYOVERS TO OTHER TAXABLE YEARS.—Appropriate adjustments in the application of the second sentence of paragraph (2) shall be made to take into account the limitation of subclause (I).

“(III) EXCEPTION FOR 2008 ELECTIONS BY SMALL BUSINESSES.—Subclause (I) shall not apply to any loss of an eligible small business with respect to any election made under this subparagraph as in effect on the day before the date of the enactment of the Worker, Homeownership, and Business Assistance Act of 2009.

“(v) SPECIAL RULES FOR SMALL BUSINESS.—

“(I) IN GENERAL.—In the case of an eligible small business which made or makes an election under this subparagraph as in effect on the day before the date of the enactment of the Worker, Homeownership, and Business Assistance Act of 2009, clause (iii)(I) shall be applied by substituting ‘2 taxable years’ for ‘1 taxable year’.

“(II) ELIGIBLE SMALL BUSINESS.—For purposes of this subparagraph, the term ‘eligible small business’ has the meaning given such term by subparagraph (F)(iii), except that in applying such subparagraph, section 448(c) shall be applied by substituting ‘\$15,000,000’ for ‘\$5,000,000’ each place it appears.”

(b) ALTERNATIVE TAX NET OPERATING LOSS DEDUCTION.—Subclause (I) of section 56(d)(1)(A)(ii) of the Internal Revenue Code of 1986 is amended to read as follows:

“(I) the amount of such deduction attributable to an applicable net operating loss with respect to which an election is made under section 172(b)(1)(H), or”.

(c) LOSS FROM OPERATIONS OF LIFE INSURANCE COMPANIES.—Subsection (b) of section 810 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

“(4) CARRYBACK FOR 2008 OR 2009 LOSSES.—

“(A) IN GENERAL.—In the case of an applicable loss from operations with respect to which the taxpayer has elected the application of this paragraph, paragraph (1)(A) shall be applied by substituting any whole number elected by the taxpayer which is more than 3 and less than 6 for ‘3’.

“(B) APPLICABLE LOSS FROM OPERATIONS.—For purposes of this paragraph, the term ‘applicable loss from operations’ means the taxpayer’s loss from operations for a taxable year ending after December 31, 2007, and beginning before January 1, 2010.

“(C) ELECTION.—

“(i) IN GENERAL.—Any election under this paragraph may be made only with respect to 1 taxable year.

“(ii) PROCEDURE.—Any election under this paragraph shall be made in such manner as may be prescribed by the Secretary, and shall be made by the due date (including extension of time) for filing the return for the taxpayer’s last taxable year beginning in 2009. Any such election, once made, shall be irrevocable.

“(D) LIMITATION ON AMOUNT OF LOSS CARRYBACK TO 5TH PRECEDING TAXABLE YEAR.—

“(i) IN GENERAL.—The amount of any loss from operations which may be carried back to the 5th taxable year preceding the taxable year of such loss under subparagraph (A) shall not exceed 50 percent of the taxpayer’s taxable income (computed without regard to the loss from operations for the loss year or any taxable year thereafter) for such preceding taxable year.

“(ii) CARRYBACKS AND CARRYOVERS TO OTHER TAXABLE YEARS.—Appropriate adjustments in the application of the second sentence of paragraph (2) shall be made to take into account the limitation of clause (i).”.

(d) ANTI-ABUSE RULES.—The Secretary of Treasury or the Secretary’s designee shall prescribe such rules as are necessary to prevent the abuse of the purposes of the amendments made by this section, including anti-stuffing rules, anti-churning rules (including rules relating to sale-leasebacks), and rules similar to the rules under section 1091 of the Internal Revenue Code of 1986 relating to losses from wash sales.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to net operating losses arising in taxable years ending after December 31, 2007.

(2) **ALTERNATIVE TAX NET OPERATING LOSS DEDUCTION.**—The amendment made by subsection (b) shall apply to taxable years ending after December 31, 2002.

(3) **LOSS FROM OPERATIONS OF LIFE INSURANCE COMPANIES.**—The amendment made by subsection (d) shall apply to losses from operations arising in taxable years ending after December 31, 2007.

(4) **TRANSITIONAL RULE.**—In the case of any net operating loss (or, in the case of a life insurance company, any loss from operations) for a taxable year ending before the date of the enactment of this Act—

(A) any election made under section 172(b)(3) or 810(b)(3) of the Internal Revenue Code of 1986 with respect to such loss may (notwithstanding such section) be revoked before the due date (including extension of time) for filing the return for the taxpayer's last taxable year beginning in 2009, and

(B) any application under section 6411(a) of such Code with respect to such loss shall be treated as timely filed if filed before such due date.

(f) **EXCEPTION FOR TARP RECIPIENTS.**—The amendments made by this section shall not apply to—

(1) any taxpayer if—

(A) the Federal Government acquired before the date of the enactment of this Act an equity interest in the taxpayer pursuant to the Emergency Economic Stabilization Act of 2008,

(B) the Federal Government acquired before such date of enactment any warrant (or other right) to acquire any equity interest with respect to the taxpayer pursuant to the Emergency Economic Stabilization Act of 2008, or

(C) such taxpayer receives after such date of enactment funds from the Federal Government in exchange for an interest described in subparagraph (A) or (B) pursuant to a program established under title I of division A of the Emergency Economic Stabilization Act of 2008 (unless such taxpayer is a financial institution (as defined in section 3 of such Act) and the funds are received pursuant to a program established by the Secretary of the Treasury for the stated purpose of increasing the availability of credit to small businesses using funding made available under such Act), or

(2) the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, and

(3) any taxpayer which at any time in 2008 or 2009 was or is a member of the same affiliated group (as defined in section 1504 of the Internal Revenue Code of 1986, determined without regard to subsection (b) thereof) as a taxpayer described in paragraph (1) or (2).

SEC. 14. EXCLUSION FROM GROSS INCOME OF QUALIFIED MILITARY BASE REALIGNMENT AND CLOSURE FRINGE.

(a) **IN GENERAL.**—Subsection (n) of section 132 of the Internal Revenue Code of 1986 is amended—

(1) in subparagraph (1) by striking “this subsection) to offset the adverse effects on housing values as a result of