

On July 26, 2008, the Senate passed the "Housing Assistance Tax Act of 2008" (H.R. 3221). The president is expected to sign the bill.

Among its provisions are:

- A refundable credit of up to \$7,500 on the purchase of a principal residence by a "first-time homebuyer." A first-time homebuyer is a taxpayer who hasn't owned a principal residence in at least three years. The credit is recaptured ratably as an addition to tax over 15 years.
- A new deduction for property taxes for individuals who do not itemize. The deduction is limited to \$500 (\$1,000 on joint returns).
- A reduced exclusion on the sale of a principal residence under IRC §121 for periods of nonqualified use.
- Low-income housing credits and rehabilitation credits may now offset AMT.
- Interest earned on certain mortgage bonds is no longer treated as a private activity preference for AMT purposes.
- A new election to accelerate AMT and research credits instead of taking bonus depreciation.
- A new requirement of information reporting of merchant credit card activity.
- REIT rules liberalized, particularly with regard to foreign activities.
- Increases required estimated tax payments of large corporations beginning in 2013.

Of course, California does not conform to any of these provisions making the preparation of California returns and California tax planning trickier.