

Stimulus Advances With Tax Credit Changes

The \$790 billion stimulus package hammered out by House and Senate conferees late yesterday increases the home buyer tax credit to \$8,000, from \$7,500, and drops the repayment feature for buyers who hold on to their property for at least three years.

The NATIONAL ASSOCIATION OF REALTORS® has sought removal of the repayment requirement because it discourages buyers from taking advantage of the tax credit. The three-year minimum holding period is a safeguard against speculators' use of the credit.

The legislation also extends the effective date of the credit to December 1 from June 30, and extends eligibility to borrowers who buy their home with the help of state or local financial assistance that comes from the proceeds of tax-exempt mortgage revenue bonds.

The credit remains open only to first-time buyers (those who haven't owned in at least three years) and some income eligibility restrictions apply, but those are unchanged from the existing program.

Other provisions reportedly in the bill that could help housing markets and communities include:

- **FHA and conforming loan limits.** Specifics have not been released but reports indicate that the 2008 limits have been reinstated for 2009 except in those communities where the 2009 limits are higher. Additional increases in individual communities may also be available at the discretion of the secretary of the U.S. Department of Housing and Urban Development.
- **Foreclosure mitigation and neighborhood stabilization.** Funding for states and localities to be used for neighborhood stabilization activities for the redevelopment of abandoned and foreclosed homes are authorized. Some news reports put the funding level at \$2 billion.
- **Rental assistance.** Up to \$1.5 billion to provide short-term rental assistance and other aid for families during the economic crisis.
- **Transportation infrastructure.** Up to \$29 billion for highway construction projects, \$8 billion for rail projects, and \$5 billion to weatherize low-income homes.
- **Rural housing development.** Increased funding for the Rural Housing Service direct and guaranteed loan programs.
- **Low-income housing grants.** Allow states to trade in a portion of their 2009 low-income housing tax credits for Treasury grants to finance the construction or acquisition and rehabilitation of low-income housing, including those with or without tax credit allocations
- **Tax-exempt housing bonds.** Tax-exempt interest earned on specified state and local bonds issued during 2009 and 2010 will not be subject to the Alternative Minimum Tax (AMT). In addition, financial institutions will have greater capacity to purchase tax-exempt state and local bonds
- **Energy efficient housing.** Grants for energy retrofits for federally assisted housing (Section 8), funding for energy efficiency and conservation block grants to states, and Increases in the residential tax credit through 2010 for certain energy efficient upgrades.

Source: NAR, AP, Washington Post, New York Times, Bloomberg, and Wall Street Journal.