

Economic Stimulus Bill passes House and Senate; Signed by President Obama on February 17

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American Recovery & Reinvestment Act of 2009

H.R. 1, the “American Recovery and Reinvestment Act of 2009,” passed the House on February 13, 2009, by a vote of 246 - 184. The Senate also passed the bill later that day. The President signed the bill on February 17. The bill is a \$780 billion package, with roughly 35% of the package devoted to tax cuts (mostly for 2009) and the rest to spending intended to occur in 2009 and 2010.

The mix of provisions of interest to REALTORS® changed frequently throughout the legislative process, with changes continuing to be made just hours before the measure was released prior to the vote. In the end, the elements of NAR’s housing agenda were included. Congress and the President have announced that a finance and housing package (including tax provisions) will be the next “big” initiative, so Congress has by no means finished its work as it affects the housing industry and REALTORS®.

The bill includes the following provisions:

Homebuyer Tax Credit – The bill provides for a \$8,000 tax credit that would be available to first-time home buyers for the purchase of a principal residence on or after January 1, 2009 and before December 1, 2009. The credit does not require repayment. Most of the mechanics of the credit will be the same as under the 2008 rules: the credit will be claimed on a tax return to reduce the purchaser's income tax liability. If any credit amount remains unused, then the unused amount will be refunded as a check to the purchaser. A question and answer document produced by the National Association of REALTORS® can be linked to by clicking [here](#).

Comparison of 2008 and 2009 Tax Credit

	Amount of Credit	Eligible property	Refundable	Income Limit	1 st time homebuyer only	Revenue Bond Financing	Repayment	Recapture	Termination	Effective date
2008 Tax Credit Credit created July, 2008 applied to all qualified purchase after April 9, 2008	Lesser of 10% of cost of home or \$7,500 .	Any single family residence (including condos, co-ops, townhouses) that will be used as a principal residence.	Yes. Reduces (or can eliminate) income tax liability for the year of purchase. Any unused amount of credit is refunded to purchaser.	Yes. Full amount of credit available for individuals with adjusted gross income of no more than \$75,000 (\$150,000 on a joint return). Phases out above those caps (\$95,000 and \$170,000).	Yes. Purchaser (and purchaser’s spouse) may not have owned a principal residence in 3 years previous to purchase.	No credit allowed if home financed with state/local bond funding.	Yes. Portion (6.67% of credit or \$500 to be repaid each year for 15 years, starting with the 2010 tax filing.	If home sold before 15-year repayment period ends, then outstanding balance of repayment amount recaptured on sale.	July 1, 2009, but note program changes for 2009.	Purchases on or after April 9, 2008 and before January 1, 2009. Repayment to begin in 2010 tax year.
2009 Tax Credit Revised credit effective for purchases after January 1, 2009 and before December 1, 2009	Lesser of 10% of cost of home or \$8,000	Same as 2008	Same as 2008	Same as 2008	Same as 2008	Purchasers who use revenue bond financing can use credit.	No repayment for purchases on or after January 1, 2009 and before December 1, 2009	If home sold within three years of purchase, entire amount of credit is recaptured on sale. Applies only to homes purchased in 2009	December 1, 2009	All revisions are effective as of January 1, 2009

For those first time home buyers claiming the credit for a 2009 purchase they can claim the \$8,000 credit on their 2008 tax return by filing IRS Form 5405 with their return if they have not yet filed their return, or by amending their 2008 return by filing Form 5405.

FHA, Fannie Mae and Freddie Mac Loan Limits -The bill reinstates last year's 2008 loan limits for FHA, Freddie Mac, and Fannie Mae loans. These limits were equal to the greater of 125% of the 2008 local area median home price or \$271,050 for FHA and \$417,000 for Fannie and Freddie, with an overall maximum cap of \$729,750. For the few areas where the 2009 limits were higher, the higher limits will apply. In addition, the bill includes language providing the HUD Secretary with the discretion, if warranted, to increase the loan limit for any "sub-area", i.e. an area smaller than a county. The Secretary's discretion is again limited by the \$729,750 cap. These 2009 limits will expire December 31, 2009. The inclusion of these loan limit provisions in the final bill is a victory for homeowners, buyers and Realtors. While these new limits were included in version of the original stimulus bill approved by the House, the bill first approved by the Senate did not. NAR's Call for Action to both the House and the Senate prior to the final vote advocated strongly for the provisions which were then included in the final bill approved by both Chambers.

On February 25, HUD published the following loan limits for eastern Connecticut. To learn more about the loan limits, go to <https://entp.hud.gov/idapp/html/hicostlook.cfm>

County	One-Family	Two-Family	Three-Family	Four-Family	Last Revised	Limit Year
NEW LONDON	\$398,750	\$510,450	\$617,050	\$766,850	01/01/2009	CY2009
WINDHAM	\$272,500	\$348,850	\$421,650	\$524,050	01/01/2009	CY2009

Neighborhood Stabilization – Division A, Title XII of the bill provides \$2,000,000,000 in additional funding for the Neighborhood Stabilization Program (NSP). The NSP was created by the Housing and Economic Recovery Act of 2009 (Public Law 110–289) to provide grants through the Community Development Block Grant program (CDBG) to states and localities to address the problems that can be created when whole neighborhoods are decimated by foreclosures. The funds can be used to purchase, manage, repair and resell foreclosed and abandoned properties. In addition, the funds can also be used by states and localities to establish financing methods for the purchase and redevelopment of foreclosed properties. After purchase the homes must be used to assist individuals and families with incomes at or below 120% of area median income. Twenty-five percent of funds must be used for households with incomes at or below 50% of area median income. By leveraging their expertise in partnership with others from both the public and private sector, Realtors® in many communities have been making important contributions to their local communities' neighborhood stabilization programs.

Commercial Real Estate - Commercial real estate is impacted primarily through those provisions of the bill focused on green building and energy efficiency as well as business tax incentives. H.R. 1 provides significant funds for state energy programs, which could be used to support commercial property owners' investment in energy efficiency upgrades while commercial property owners seeking to invest in alternative energy systems for onsite power generation would benefit from the Department of Energy Renewable Energy Loan Guarantees Program. Of particular benefit to small businesses would be certain provisions of the bill that provide tax relief in the area of bonus depreciation and capital expenditures, as well as the 5-Year carryback of net operating losses for small businesses.

Rural Housing Service – The bill provides an additional \$500 million to existing USDA Rural Housing programs. The RHS provides both a guaranteed loan program and a direct housing loan program for those meeting the program's eligibility criteria. The direct loan program will receive \$270 million while \$230 million will be allocated for unsubsidized guaranteed loans. It has been reported that this level of funding would provide for an additional 192,000 homeowners.

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 Tax Credits & Grants - To promote green jobs and energy independence, ARRA invests significantly in efforts to make homes and buildings more energy efficient. The bill provides state and local governments with \$6 billion in energy efficiency and conservation grants for energy audits, retrofits and financial incentives. Through 2010, homeowners will be able to claim a 30% tax credit (up from 10%) for purchases of new furnaces, windows and insulation. Another \$5 billion will be available to modernize the nation's electricity grid and install smart meters on homes that help to save consumers money. There is also \$5 billion for weatherization assistance for low income households and \$2 billion for federally assisted housing (section 8) efficiency efforts.

Transportation Investments - The bill provides \$46.7 billion to states and localities for capital investment for surface transportation projects including highways, bridges, transit, and rail projects. NAR policy supports increased spending on the types of transportation infrastructure addressed in the bill with the exception of Amtrak and high-speed inter-city rail where NAR has no policy. These investments will tend to moderate traffic congestion and support a variety of transportation alternatives which will improve the quality of life of American communities and bolster the value of real estate.

Broadband Deployment - The bill creates \$7.2 billion in grants to promote broadband deployment in unserved and underserved areas and for mapping the availability of broadband service in the U.S. Any entity is eligible to apply for a grant including municipalities, public/private partnerships and private companies as long as they comply with the grant conditions. The grants are subject to "network neutrality" requirements to ensure that broadband networks be free of restrictions on content, sites, or platforms, on the kinds of equipment that may be attached, and on the modes of communication allowed.

The bill also charges the FCC is with developing a national broadband plan that shall seek to ensure that all Americans have access to broadband capability and shall establish benchmarks for meeting that goal.

These provisions are important victories for REALTORS because increased broadband access promotes economic growth and expands opportunities for home sales. A 2006 Commerce Department report determined that property values are 6% higher in communities where broadband is available.

This information obtained from the realtor.org Government Affairs page. At http://www.realtor.org/government_affairs