

MEMORANDUM

DATE: February 13, 2009

TO: NAHB Members

FROM: Joe Robson
NAHB Chairman

RE: Economic Stimulus Update

House and Senate conferees completed work on final elements of the stimulus legislation early this morning. I would like to provide you with a brief overview of what is in the final legislative package, particularly as it relates to the housing community.

House and Senate conferees have agreed upon a compromise stimulus package at a total cost of \$789 billion. The House is scheduled to vote on the package today and the Senate will follow suit shortly thereafter, with the expectation that the legislation will reach President Barack Obama's desk by Monday, Feb. 16.

There are several provisions in the overall stimulus package that will be beneficial for many of our members – and help stimulate demand for housing.

Chief among these is an \$8,000 home buyer tax credit for new home buyers. While we are disappointed and would have preferred a more enhanced tax credit like the Senate version, the conferees did retain some key elements from the Senate and made other modifications that are beneficial to home buyers and home builders. For qualified home purchases in 2009, the legislation:

- Stipulates that the \$8,000 tax credit does not have to be repaid, unlike the tax credit passed last summer;
- Keeps the tax credit refundable, or claimable regardless of tax liability;
- Extends the sunset date from July 1, 2009 until Dec. 1, 2009 so that consumers can utilize it during the critical summer and fall buying months;
- Allows tax credit home buyers to participate in the mortgage revenue bond program; and
- Permits state housing finance agencies to help buyers at closing by advancing the credit amount as a loan using tax-exempt bond proceeds.

While much of the industry's focus was on the home buyer tax credit, there are several other important components in the legislation that will help small businesses and bolster the housing market. H.R. 1, the American Recovery and Reinvestment Act of 2009, will:

- Help home borrowers in high-cost markets by extending the 2008 FHA, Fannie Mae and Freddie Mac loan limits of \$729,750 through the end of this year;

- Temporarily allow exchange of Low-Income Housing Tax Credit allocating authority for tax-exempt grants and appropriates \$2 billion in HOME funding for affordable housing projects;
- Provide up to a 10-year deferral of tax due to business debt restructuring;
- Expand the net operating loss carry back period from two years to five years for small businesses (businesses with average gross receipts of no more than \$15 million over the prior 3 years) for losses arising in tax year 2008;
- Extend the 25C existing home remodeler credit through the end of 2010, increase the credit rate from 10 percent to 30 percent, raise the lifetime cap from \$500 to \$1,500, and expand the set of qualifying property;
- Provide an Alternative Minimum Tax patch for tax year 2009;
- Increase bonus depreciation and Section 179 small business expensing for business investment in 2009;
- Increase New Markets Tax Credit allocating authority for 2008 and 2009; and
- Delay for one year the start of the 3 percent government contractor withholding requirement (from 2011 to 2012).

Once the bill is signed into law, NAHB will be reaching out to you and your locals to provide information and marketing tools to make home buyers aware of the tax credit and to help builders utilize other aspects of the legislation in order to maintain and/or grow their businesses. *(Attached at the bottom of this memo is a file that contains key provisions of the American Recovery and Reinvestment Act of 2009.)*

Keep in mind this stimulus legislation is just a first step and we know it is far from perfect. Rest assured, NAHB will leave no stone unturned until the housing market gets back on track. In the days, weeks and months ahead, NAHB plans to work closely with the Congress and the Administration on a host of issues to achieve these aims. Our primary focus will be on efforts to:

- End the credit crunch, particularly as it relates to acquisition, land development and home construction lending;
- Mitigate foreclosures; and
- Further reduce mortgage interest rates to stimulate home buying.

We will make every effort to keep you informed through your local association, Nation's Building News (NBN), and other communications vehicles over the coming days and weeks.

[Key Provisions in Stimulus Bill](#)