

<b>Suggested Housing-Related Tax Provision for Economic Recovery Package</b>  <small>* NHC does not necessarily endorse the following proposals. These are a collection of proposal from various agencies and coalitions.</small>	<b>Housing-Related Tax Provision in House Economic Recovery Package Bill Draft, Released 1/22/2009</b>	<b>Housing-Related Tax Provision in Senate Economic Recovery Package Bill Draft, Released 1/23/2009</b>
<p>Energy Efficiency Tax Credit: This proposal would provide a one-year federal income tax credit to owners of affordable rental properties to achieve a specified and significant reduction in energy in the building. To limit the cost to the federal government, the revised tax credit would only cover the incremental costs associated with energy efficiency improvements that would not otherwise be feasible, i.e., only up to an additional \$3,000 per unit in eligible costs. Building owners would claim the revised credit the year the building was placed in service and its energy performance would be verified through the same process for the energy-efficient home credit in its current form.</p>	<p>Extension of tax credits for energy-efficient improvements in existing homes through 2010. Individuals are allowed a tax credit equal to 10% of the amount paid or incurred by taxpayer for qualified energy efficiency improvements installed during the taxable year. For 2009 and 2010, bill would increase the amount of tax credit to 30% of the amount paid or incurred by the taxpayer for qualified energy efficient improvements during the taxable year. This bill would also eliminate the property-by-property dollar caps on this tax credit and provide an aggregate \$1500 cap on all property qualifying for the credit. <b>This proposal is estimated to cost \$4.275 billion over ten years.</b></p>	<p>Residential energy efficient property proposal would remove the \$2000 cap on the thirty percent credit for solar thermal and geothermal property, as well as the \$4000 cap on small wind property. The mark would also eliminate the current-law basis reduction for subsidized energy financing. This proposal is estimated to cost <b>\$268 million over ten years.</b></p> <p>Energy-Efficient Existing Homes: A proposal to increase the value of the credit to 30 percent for 2009 and 2010 and set the per-dwelling limit of \$1500 per taxpayer. The separate limitations on specific energy-efficient property and the current-law basis reduction for subsidized energy financing are eliminated. <b>The proposal is estimated to cost \$4.3 billion over ten years.</b></p>

<p><b>Home Buyer Tax Credit:</b> Enhance the initial Home Buyer Tax Credit by including primary home purchases between April 9, 2009 and December 31, 2009. Include a credit amount equal to 10% of home price capped at 3.5% of FHA loan limits (geographically dependent) – ranging between approximately \$10,000 and \$22,000. Eliminate the recapture so that this is a true tax credit, monetize the tax credit so that it is available at time of closing, and make this tax credit available to all home buyers and not just first-time home buyers.</p> <p>Congress should also consider coupling the enhanced tax credit with a below market 30 year fixed-rate mortgage for home purchases, providing a 2.99% rate for contracts closed between now and June 30, 2009 and a 3.99% rate for contracts closed between June 30, 2009 and December 31, 2009.</p>	<p>Refundable first-time home buyer credit for homes purchased on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit are required to repay any amount receiving under this provision back to the government over 15 years in equal installments, or, if earlier, when the house is sold. Credit phases out for taxpayers with adjusted gross incomes greater than \$75,000 (\$150,000 in case of joint return). This bill would eliminate the repayment obligation for taxpayers that purchase homes after January 1, 2009. Provision would retain the credit recapture if the house is sold within three years of purchase. <b>This proposal is estimated to cost \$2.562 billion over ten years.</b></p>	<p>Modifies the \$7500 Homeownership Tax Credit for home purchases that occur after 2008 and before July 1, 2009. The credit phases out for taxpayers with \$75,000 and higher of AGI, or \$150,000 and higher for joint filers. The credit does not need to be repaid unless the house is sold within 36 months of purchase. It is fully refundable. <b>This provision is estimated to cost \$2.6 billion over ten years.</b></p>
<p><b>Low Income Housing Tax Credit (LIHTC):</b></p> <ul style="list-style-type: none"> <li>• <b>\$5 billion</b> in direct cash subsidy (“Gap Filler”) to be used exclusively by Housing Finance Agencies to provide gap financing necessary for financial feasibility for properties that receive LIHTC reservations or allocations (including bond financed properties); Gap Filler funds could be used by agencies receiving LIHTCs with LIHTC equity capital if such capital is demonstrated not to be available for some projects.</li> <li>• On a temporary basis, taxpayers should have the election to accelerate the LIHTC by up to 200% per year for each of the first three years of the ten year credit period. The remainder would be taken on a straight-line basis for the last seven years of the credit period.</li> <li>• Investors should be permitted to carry back the LIHTCs for up to five years and these LIHTCs should be usable to offset AMT liability during that period.</li> <li>• Use and expand the Tax Credit Exchange program, as introduced by the House Ways and Means Committee, to include 2007, 2008 and 2009 state tax credit allocations.</li> <li>• Encourage flexible income limits for residents to help in the short - and long - term health of the</li> </ul>	<p>LIHTC: Inclusion of a Tax Credit Exchange program that would allow state allocating agencies to exchange a portion of their 2009 low income housing tax credits in return for cash grants, giving agencies access to funds necessary for development projects without a reliance upon investors. <b>This provision is estimated to cost \$69 million over 10 years.</b></p>	<p>LIHTC: Permits low income housing tax credits from 2008 and 2009 to be carried back for five years. This version omits a provision provided by the House that would allow state allocating agencies to exchange a portion of their 2009 LIHTC allocation in return for a grant to address funding gaps.</p> <p>In committee, this provision was amended to allow for “acceleration” of the credit for investor.</p>

<p>program; the benefits of “deep-skewed” projects should be available for all mixed-income developments.</p> <ul style="list-style-type: none"> <li>• The benefit from “as-of-right four per-cent” deductions should be fixed at four percent; this is similar to the measure for the deeper nine per-cent credits enacted in 2008.</li> </ul>		
<p>New Markets Tax Credit:</p>		<p>Authorize an additional \$1.5 billion for the 2008 allocation round and an additional \$1.5 billion for the 2009 allocation round. Tax credits for 2009 allocations made after the date of enactment would be allowed against the alternative minimum tax. <b>This proposal is estimated to cost \$1.05 billion over ten years.</b></p>
<p><b>\$5 billion total cost (over ten years)</b></p>	<p><b>\$7.527 billion (over ten years)</b></p>	<p><b>\$8.218 billion (over ten years)</b></p>