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BAUCUS, GRASSLEY OFFER TAX RELIEF FOR HOMEOWNERS, HOMEBUYERS, HOMEBUILDERS

Finance leaders offer new property tax deduction, credits for buying foreclosed homes, writeoffs for builders and other businesses losing money in economic downturn

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) have put together a package of tax relief measures for homeowners, homebuyers, and homebuilders to be included in bipartisan Senate legislation aimed at helping the housing market recover. The Baucus-Grassley tax provisions, expected to total nearly \$11 billion over 10 years, would create a standard property tax deduction for homeowners who do not itemize their federal taxes, provide a substantial credit to buyers of foreclosed homes, and allow companies losing money in the economic downturn – such as America’s homebuilders – to write off more of their current losses. Mortgage revenue bonds will help homeowners and buyers obtain affordable loans.

“A lot of irresponsible actions led to the housing crisis, but a lot of responsible homeowners, homebuyers, and homebuilders are caught up in it too. Tax relief and mortgage help for folks who are playing by the rules in the housing market is the right thing for Congress to do,” said Baucus. **“These tax provisions will keep property values up, keep folks in their homes, and keep businesses afloat, and those are all keys to handling the housing crisis.”**

Grassley said, **“Tax relief helps encourage home ownership, and addressing the housing problem can help the economy overall. It’s appropriate to use the tax code to help people buy homes and to help the many businesses that are tied to the housing industry recover from losses. Those businesses create jobs. The economy should benefit from this shot in the arm.”**

The four provisions of the Finance leaders’ tax relief package are as follows.

Standard Property Tax Deduction

To make tax relief available to all American homeowners, Baucus and Grassley will provide a standard deduction – \$500 for single filers and \$1,000 for joint filers – for the 28.3 million non-itemizers who pay property taxes. Present law allows only those who itemize deductions on their Federal tax returns to deduct state and local property taxes from their income. Baucus first proposed the non-itemizer real property tax deduction in 2006, and the Senate included the proposal in the Fiscal Year 2009 budget.

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Mortgage Revenue Bonds

To provide for refinancing of subprime loans, mortgages for first-time homebuyers and multifamily rental housing. Baucus and Grassley include \$10 billion of Federal tax-exempt private activity bond authority first approved by the Finance Committee in January as part of an economic stimulus package. The measure also exempts interest earned on the bonds from the alternative minimum tax.

Extension of Net Operating Loss Carryback

To aid homebuilders and other businesses hit hardest by the economic slump, Baucus and Grassley would extend a law allowing corporations to apply excess net operating losses to tax returns from prior profitable years and receive any applicable refunds. For 2008 and 2009 losses, the provision would extend the “net operating loss (NOL) carryback” to four years (back to 2004 and 2005, respectively) from the two years currently in law. Measures to prevent companies from abusing the intent of the provision are also included.

Tax Credit for Purchase of Homes in Foreclosure

To encourage the purchase of homes already in foreclosure and of homes on which foreclosure has been filed, Baucus and Grassley create a \$7,000 tax credit for buyers of such homes, to be claimed over two years. Homes in foreclosure bring down the value of property nearby. Encouraging the purchase of more homes in foreclosure will restore property values for all homeowners. Similar provisions have been proposed and championed on both sides of the aisle by Senators Johnny Isakson (R-Ga.), Debbie Stabenow (D-Mich.), and Ben Cardin (D-Md.)

Cost estimates for the Baucus-Grassley package and each of its provisions can be found on the following page, and tables will be posted on the Finance Committee website.

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Baucus/Grassley Housing Amendment to H.R. 3221

| Provision | Description | Cost |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| NOLs | The provision allows businesses to carryback losses incurred in tax years 2008 and 2009 for four years. The taxpayer would be required to elect either the net operating loss provision, or section 179 business expensing and bonus depreciation. | \$6.054 billion |
| Mortgage Revenue Bonds | The proposal provides an additional \$10 billion of tax-exempt private activity bond authority to be used to refinance subprime loans, provide mortgages for first-time homebuyers, and for multifamily rental housing. The proposal also exempts interest earned on the bonds from the alternative minimum tax. | \$1.688 billion |
| Non-Itemizer Tax Deduction | Allow property owners that do not itemize to claim an additional standard deduction for the amount of local property taxes paid subject to a \$500 and \$1,000 cap. Under present law, itemizing taxpayers may deduct the full amount of local property taxes paid from their Federal tax return. The relief would not be available if the local jurisdiction increases taxes after April 2, 2008 and before December 31, 2008. | \$1.476 billion |
| Homeownership Tax Credit | Allow taxpayers purchasing as their principal residence homes upon which foreclosure has been filed pursuant to the laws of the state a \$7,000 non-refundable tax credit claimed ratably over two tax years. The credit is available for purchases beginning date of enactment for one year. | \$1.63 billion |
| Total | | \$10.848 billion |

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