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**BAUCUS, GRASSLEY TAX RELIEF FOR
HOMEOWNERS, HOMEBUYERS, HOMEBUILDERS
PASSES WITH SENATE HOUSING BILL**

Finance leaders clear legislative path to new property tax deduction, credits for buying foreclosed homes, tax help for businesses losing money in economic downturn

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Member Chuck Grassley (R-Iowa) won passage of important tax relief measures for homeowners, homebuyers, and homebuilders as part of the housing bill approved 84-12 by the Senate today. The Baucus-Grassley tax provisions, which total \$10.9 billion over 10 years, would create an additional standard deduction for property taxes for homeowners who do not itemize their federal taxes, and increase funding for mortgage revenue bonds which will help homeowners and buyers obtain affordable loans. Also included is a substantial credit to buyers of foreclosed homes that will help stabilize local housing markets and property values, and a provision to allow companies losing money – and facing employee layoffs – to write off current losses and bolster struggling operations.

“There is no magic solution to this housing crisis. This is just plain responsible policy to deal with a lot of irresponsible actions that led to serious trouble for so many Americans and for our economy. To respond to this crisis, Senator Grassley and I crafted provisions that support American families and American workers who deserve to keep their homes and their jobs,” said Baucus. **“This bill amounts to real money for American families through tax relief or continued paychecks from companies that use this tax relief to survive.”**

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.”**

Other provisions added on the floor or through negotiation include:

- A provision increasing the overall allocation to mortgage revenue bonds by an additional 933 million, setting the additional authority aside to ensure that low-population states receive a fair share.
- A provision to modernize the tax rules for real estate investment trusts (REITs) to provide them with flexibility to reflect recent changes in real estate markets.
- A measure that allows victims of Hurricanes Katrina and Rita to adjust casualty loss deductions taken in addition to grant payments to cover uninsured losses caused by the hurricanes.
- An allowance for businesses unable to benefit from bonus depreciation due to extended periods in a loss position to receive refunds of AMT and R&D credits when they make investments.
- Extensions of tax incentives for renewable energy. Baucus and Grassley intend to complete a larger package of extensions of expiring tax provisions, including energy incentives, in the coming weeks, with provisions to offset costs.

Original 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 an additional standard deduction for the 28.3 million non-itemizers who pay property taxes – \$500 for single filers and \$1,000 for joint filers. 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.

Mortgage Revenue Bonds

To provide for refinancing of subprime loans, mortgages for first-time homebuyers and multifamily rental housing. Baucus and Grassley included in their proposal \$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. The amendment providing additional bond authority for low population states brings the total of the bill's mortgage revenue bond authority to \$10.9 billion.

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Extension of Net Operating Loss Carryback (NOL)

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.).

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