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Senator Chuck Grassley  
Opening Statement on Floor Debate on Housing Reform Legislation.  
Thursday, June 19, 2008

I want to start by thanking Chairman Baucus for his courtesy and hard work in this legislative effort. Our goal was to develop a bipartisan tax package that responded to the needs of Americans and, in particular, the housing market. We have done so. Americans are struggling to keep their homes and their jobs. Economic conditions continue to be uncertain. In these uncertain times, it is appropriate that Congress develop tax policies that address the housing problem. After all, the housing problem is at the root of our current economic turmoil. Last year we responded to the call for help. Congress enacted the Mortgage Debt Relief Act of 2007, which was signed into law by the President. This law excludes from income discharges of indebtedness incurred by taxpayers to acquire homes. It also extends the tax deduction for mortgage insurance premiums.

Early this year Congress acted quickly on a stimulus package that delivers additional relief to the American taxpayers. As result of that legislation, Treasury is sending out rebate checks that will give the economy a much needed boost. Earlier this year, the Senate acted on a bipartisan tax relief package that was based on the joint efforts of Finance Committee Democrats and Republicans. The package before us is a blend of that Senate package and a package passed by the House. We have carefully balanced this tax relief package being considered today on the floor.

It addresses the housing downturn, but is limited so as to ensure that it helps ease the problem and doesn't simply create new problems. We are mindful that any relief that benefits one sector of the public does so at the expense of another sector. The other sector is the taxpaying population that carefully managed their family budget, especially as it related to housing costs.

Taxpayers bear the burden of a bailout of these risky mortgages that went south. So, it is important that we have a compassionate view that recognizes taxpayers pay the ultimate tab. As we proceed on this bill, let's keep in mind this principle.

We need to address the housing downturn, but we need to show restraint and limit the relief so that it eases the problem and doesn't simply create new ones. We need to be considerate of the many Americans that worked hard to save and buy homes and that will ultimately pay the price for this relief.

Once again, the Senate is stepping up to the plate. This tax relief package helps encourage home ownership and provides targeted relief to homeowners who are looking to work out of a rough patch.

The centerpiece of this bill is a temporary \$8,000 tax credit to help first-time home buyers buy homes, including homes that are in foreclosure. There is a glut of homes on the market. This glut is depressing home values. It is important that this excess inventory is moved so as to help retain home values. I want to praise Senator Isakson for doggedly pursuing this proposal. His background as a realtor and homebuilder helped us shape the proposal.

The bill also increases the cap for mortgage revenue bonds to give people with distressed loans additional options for re-financing. This is not a bail-out for home owners. This is a provision that helps enable people to keep their homes and pay their mortgages. You can thank the leadership of Senators Smith and Kerry for this important provision.

Chairman Baucus has championed the non-itemizer deduction for part of real property tax paid. It is in this bill. Senator Kyl wanted assurances that state and local tax authorities would not pocket this new tax benefit with higher property tax assessments. The proposal is designed to ensure that property taxpayers, not state and local governments, receive the benefit of the deduction.

This bill contains a set of reforms to the low-income housing credit. Senator Cantwell headed that effort. A key additional reform benefits low and middle income military personnel who need housing near the bases where they are stationed. Senator Pat Roberts, a former Marine, looked out for our men and women in uniform. With Senator Roberts' proposal, soldiers and their families in Fort Riley, Kansas, and other bases that have seen recent increases in population will have easier access to low-income housing.

This bill liberalizes the ability of the Federal Home Loan Banks to provide assistance to colleges and universities affected by the sub-prime mortgage crisis. The Home Loan Bank folks in my home state of Iowa suggested the proposal and I was glad to pursue it.

Senator Harkin, myself, and other members from the Midwest have witnessed the terrible weather that hit our states recently. We've seen the damage that has been done to communities, large and small, urban and rural, in our home states. It is devastating. Unfortunately, the damage continues as I speak.

I want to thank Chairman Baucus for pledging to help us in the Midwest. We will not forget it. In this bill, we have a proposal specifically targeted to help folks who've lost their homes to the floods. The proposal is contained in the mortgage revenue bond package. It is patterned after a proposal that was adopted over a decade ago to deal with floods from the mid-nineties.

The proposal would waive the first-time homebuyer requirement and lift the individual income limits. With this policy in effect, states like Iowa, Illinois, Indiana, Missouri, Wisconsin and Maine will be able to offer low-interest loans to families who've lost their homes to the floods. With the proceeds from these loans, the families will be able to purchase a replacement home. The elements of the low-income housing reforms will also help the disaster-devastated communities.

I've informed Chairman Baucus and the Leadership on both sides that the coalition of members of states affected by these floods and tornadoes will refine more tax relief proposals. We will aim to assist the displaced persons and rebuild the businesses and communities affected. We will seek to offer them to this bill once it is open for amendment.

I spoke in recent days on the issue of revenue raising offsets for tax relief. I rebutted the claims of Democratic lobbyists who were surprisingly cited in some press reports as credible sources for the Senate Republican Conference. The Democratic Lobbyists claimed that Senate Republicans would oppose all revenue raising offsets. Some described our position in terms of a quote-unquote theology.

I corrected those assertions and pointed back to Senate floor debates on this point late last year. For some reason those statements in the Congressional Record were ignored and Democratic lobbyists' views were substituted. The correct position is as follows. I ask some folks to pay close attention. Principle number one: if a revenue raising proposal makes good policy sense, Senate Republicans will support it. Principle number two: the revenue raised should be used for new tax relief. Principle number three: the revenue raised should not be required for extending current law tax relief. I've explained the reasoning behind this principle. Suffice it to say that we, on this side, don't believe in sliding down a slippery slope of guaranteed higher taxes and higher spending. Spending drives current and future deficits.

This bill confirms the Senate Republican Conference principles on use of revenue raising offsets. This bill contains new tax policy. The new tax policy is offset with revenue raisers that a bipartisan majority in the Senate consider improved tax policy. The main one would put in place a reporting regime on credit card payments to merchants. It is a Treasury tax gap proposal. The other significant revenue raiser would clarify the home sale exclusion rules where second homes, usually vacation residences, are involved.

The revenue losses related to disaster assistance are not offset. That accounting is consistent with bipartisan Congressional practice on emergency spending and tax relief. It's long been said that the American dream is to own your home. Unfortunately, the sub-prime mortgage crisis has turned that dream into a nightmare for many Americans. The bipartisan tax relief in this bill aims to restore the American dream, but in a responsible way.