

Details of The Recovery and Reinvestment Act of 2009

The "American Recovery and Reinvestment Act of 2009" was signed by the President on February 17, 2009. The bill is a \$780 billion package, with roughly 35% of the package devoted to tax cuts (mostly for 2009) and the rest to spending intended to occur in 2009 and 2010. The bill includes the following provisions:

Homebuyer Tax Credit - The bill provides for a \$8,000 tax credit that would be available to first-time home buyers for the purchase of a principal residence on or after January 1, 2009 and before December 1, 2009. The credit does not require repayment. Most of the mechanics of the credit will be the same as under the 2008 rules: the credit will be claimed on a tax return to reduce the purchaser's income tax liability. If any credit amount remains unused, then the unused amount will be refunded as a check to the purchaser.

FHA, Fannie Mae and Freddie Mac Loan Limits - The bill reinstates last year's 2008 loan limits for FHA, Freddie Mac, and Fannie Mae loans. These limits were equal to the greater of 125% of the 2008 local area median home price or \$271,050 for FHA and \$417,000 for Fannie and Freddie, with an overall maximum cap of \$729,750. For the few areas where the 2009 limits were higher, the higher limits will apply. In addition, the bill includes language providing the HUD Secretary with the discretion, if warranted, to increase the loan limit for any "sub-area", i.e. an area smaller than a county. The Secretary's discretion is again limited by the \$729,750 cap. These 2009 limits will expire December 31, 2009.

The inclusion of these loan limit provisions in the final bill is a victory for homeowners, buyers and Realtors. While these new limits were included in version of the original stimulus bill approved by the House, the bill first approved by the Senate did not. The National Association of Realtors® Call for Action to both the House and the Senate prior to the final vote advocated strongly for the provisions which were then included in the final bill approved by both Chambers.

Neighborhood Stabilization - Division A, Title XII of the bill provides \$2,000,000,000 in additional funding for the Neighborhood Stabilization Program (NSP). The NSP was created by the Housing and Economic Recovery Act of 2008 (Public Law 110-289) to provide grants through the Community Development Block Grant program (CDBG) to states and localities to address the problems that can be created when whole neighborhoods are decimated by foreclosures. The funds can be used to purchase, manage, repair and resell foreclosed and abandoned properties. In addition, the funds can also be used by states and localities to establish financing methods for the purchase and redevelopment of foreclosed properties. After purchase the homes must be used to assist individuals and families with incomes at or below 120% of area median income. Twenty-five percent of funds must be used for households with incomes at or below 50% of area median income.

Low Income Housing Grants - Allow states to trade in a portion of their 2009 low-income housing tax credits for Treasury grants to finance the construction or acquisition and rehabilitation of low-income housing, including those with or without tax credit allocations.

Tax-Exempt Housing Bonds - Tax-exempt interest earned on specified state and local bonds issued during 2009 and 2010 will not be subject to the Alternative Minimum Tax (AMT). In addition, financial institutions will have greater capacity to purchase tax-exempt state and local bonds.

Energy Efficient Housing Tax Credits & Grants - To promote green jobs and energy independence, ARRA invests significantly in efforts to make homes and buildings more energy efficient. The bill provides state and local governments with \$6 billion in energy efficiency and conservation grants for energy audits, retrofits and financial incentives. Through 2010, homeowners will be able to claim a 30% tax credit (up from 10%) for purchases of new furnaces, windows and insulation. Another \$5 billion will be available to modernize the nation's electricity grid and install smart meters on homes that help to save consumers money. There is also \$5 billion for weatherization assistance for low income households and \$2 billion for federally assisted housing (section 8) efficiency efforts.

Transportation Investments - The bill provides \$46.7 billion to states and localities for capital investment for surface transportation projects including highways, bridges, transit, and rail projects. NAR policy supports increased spending on the types of transportation infrastructure addressed in the bill with the exception of Amtrak and high-speed inter-city rail where NAR has no policy. These investments will tend to moderate traffic congestion and support a variety of transportation alternatives which will improve the quality of life of American communities and bolster the value of real estate.

Broadband Deployment - The bill creates \$7.2 billion in grants to promote broadband deployment in unserved and underserved areas and for mapping the availability of broadband service in the U.S. Any entity is eligible to apply for a grant including municipalities, public/private partnerships and private companies as long as they comply with the grant conditions. The grants are subject to "network neutrality" requirements to ensure that broadband networks be free of restrictions on content, sites, or platforms, on the kinds of equipment that may be attached, and on the modes of communication allowed.

The bill also charges the FCC is with developing a national broadband plan that shall seek to ensure that all Americans have access to broadband capability and shall establish benchmarks for meeting that goal.

Talk about tax shelters. Your home likely provides more tax relief than any other acquisition, thanks, in part, to new federal laws designed to ease financial suffering in the recessionary economy.