



Economic Stimulus Bill Moves Through Congress

On Tuesday, January 29, 2008, the House passed, 385-35, a \$146 billion Economic Stimulus Bill, providing for individual tax rebates, incentives for business investment, and an increase in conforming and FHA loan limits. The Senate is now considering a \$157 billion package that would extend the tax rebate eligibility to more individuals than covered under the House bill, would give incentives for business investment and for alternative energy projects, and would extend unemployment benefits. The Senate is scheduled to vote on the Finance Committee bill next week. It is uncertain whether the Finance Committee bill as it is now written can pass in the Senate.

House Package

The House bill would provide lower-income and middle-income working families with a tax rebate in an amount equal to the lesser of their net income tax liability or \$600 (\$1200 in the case of married couples filing a joint return). The minimum rebate would be \$300 (\$600 in the case of married couples filing a joint return) for taxpayers who qualify. The amount of the tax rebate will be increased by \$300 for each dependent child under the age of 17. These rebates will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 for married couples filing jointly).

Incentives for business investment in the House bill include:

- a 50% bonus deduction on new equipment placed in service in 2008 with certain exceptions for equipment with a long life, and
- a provision allowing small businesses to expense up to \$250,000 in both new and used tangible property purchased and placed in service in 2008, which is phased out dollar for dollar once overall investment exceeds \$800,000.

The bill also would increase Government Sponsored Enterprises (GSE) and Federal Housing Administration (FHA) conforming loan limits

Senate Package

Taxpayers will receive a payment of \$500 (\$1000 for married filing jointly) if the taxpayer files a tax return for the 2007 tax year as long as the taxpayer reports a tax liability of at least \$1 or \$3000 in qualifying income, defined as the sum of net self employment income, veterans' disability payments and social security benefits. In addition, an eligible tax filer will receive \$300 for every dependant child. The amount of the credit (including both the basic credit and the qualifying child credit) is phased out at a rate of five percent of adjusted gross income beginning at \$150,000 (\$300,000 in the case of joint returns). In addition, the package includes safeguards to ensure that illegal immigrants will not obtain rebates.

The bill also includes:

- bonus depreciation and small business expensing provisions similar to those in the House bill (although, the 50% bonus depreciation is spread between 2008 and 2009),
- an extension of the net operating loss carry back period,
- multiple energy tax provisions,
- an extension of unemployment insurance benefits, and
- a provision expanding mortgage revenue bonds.

In commenting on the inclusion of an amendment adopted by the Finance Committee of a provision sponsored by Senators John Kerry (D-Mass.) and Gordon Smith (R-Ore.) that would allow state and local governments to issue bonds to finance new mortgage loans to first-time homebuyers, Senator Smith said "[i]f we are serious about addressing the root of this economic downturn, we need to take a serious look at the housing crisis." This comment demonstrates lawmakers' awareness of the need for stimulus in the housing market; we must now increase our efforts to get members to focus on housing for lower-income individuals.

Our Need

With the shortage of LIHTC investor equity in this current economic climate, it is unfortunate that corporate AMT relief for LIHTC investors was not included in the House bill or in the Senate Finance Committee's proposal. Given that the LIHTC investor pool consists of banks and other financial institutions and that many financial institutions are falling, or have fallen, into corporate AMT, which has taken over \$6 billion of equity out of the housing marketplace, corporate AMT relief would provide significant assistance to the current dismal state of the LIHTC industry, allowing many institutions to reenter the LIHTC market and enticing additional corporate investment in the housing sector.

We have shared the importance of this relief with a number of Senators, Congressman, and top staff and we hope that such communication and urging will lead to prompt relief. While we were hoping such relief would be included in the stimulus package as it would have the dual impact of encouraging the production of housing and, thus, creating jobs in the homebuilding sector and stimulating economic growth, it is unlikely to be included due to the restraints on amendments and the short turn-around time imposed by the President and Congressional leaders. Nonetheless, we will continue to emphasize the necessity of corporate AMT relief for LIHTC investors and believe that there may be opportunity for such relief in a possible second stimulus package that Senate Majority Leader Harry Reid (D-Nev.) indicated may be an option, or in the pending housing modernization legislation that we hope will receive Congressional attention once again after a stimulus package has been passed.

What's to Come

Some Senators, including Republican Whip Jon Kyl (R-Ariz.) and Republican Leader Mitch McConnell (R-Ky.), indicated that they prefer that the Senate vote on the House bill, rather than on the proposal adopted by the Finance Committee. Other members do not believe that the House bill on its own provides adequate relief. Senator Kyl opined that he was unsure whether the House bill or the Finance Committee package has enough support for passage in the Senate. Regardless of how it plays out in the Senate, Congressional leaders have committed to having a bill to the President by mid-February.

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