

H.R. 1 - *The American Recovery and Reinvestment Act of 2009*

Public Law 111-05

NAHB Staff Summary
February 17, 2009

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Legislative History

- 1/26/2009 Introduced in House
- 1/28/2009 Passed/agreed to in House: On passage Passed by the Yeas and Nays: 244 - 188 (Roll no. 46).
- 2/10/2009 Passed/agreed to in Senate: Passed Senate with an amendment by Yea-Nay Vote. 61 - 37. Record Vote Number: 61.
- 2/12/2009 Conference report H. Rept. 111-16 filed.
- 2/13/2009 Conference report agreed to in House: On agreeing to the conference report Agreed to by the Yeas and Nays: 246 - 183, 1 Present (Roll no. 70).
- 2/13/2009 Conference report agreed to in Senate: Senate agreed to conference report by Yea-Nay Vote. 60 - 38. Record Vote Number: 64.
- 2/13/2009 Cleared for White House.
- 2/16/2009 Presented to President.
- 2/17/2009 Signed by President.
- 2/17/2009 Became Public Law No: 111-005 [Text, PDF]

Summary of Provisions

HOUSING FINANCE PROVISIONS

FHA and GSE Loan Limits

Establishes loan limits of the **greater of** \$729,750 (2008 limits) or 2009 limits for FHA-insured loans and GSE conforming loans through the end of 2009.

Potential Benefit: Reduces housing finance costs and stimulates housing demand.

TAX PROVISIONS

Cost estimates are 10-year budget window impacts

First-Time Home Buyer Tax Credit

\$11.5 billion (\$6.6 billion in HR 1 and \$4.9 billion in HR 3221)

Last year, Congress provided taxpayers with a refundable tax credit that was equivalent to an interest-free loan equal to 10 percent of the purchase of a home (up to \$7,500) by first-time home buyers. The provision applies to homes purchased on or after April 9, 2008 and before July 1, 2009. Taxpayers receiving this tax credit are currently required to repay any amount received under this provision back to the government over 15 years in equal installments, or, if earlier, when the home is sold. The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 in the case of a joint return). The bill eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009, increases the maximum value of the credit to \$8,000, and removes the prohibition on financing by mortgage revenue bonds, and extends the availability of the credit for homes purchased before December 1, 2009. The provision would retain the credit recapture if the house is sold within three years of purchase.

Potential Benefit: Stimulate demand among prospective buyers, and generate multiplier effect for homeowners seeking to sell an existing home.

Low-Income Housing Tax Credit Industry: Supplemental Resources ***Scored Revenue Neutral***

The bill would allow States housing agencies to receive a grant equal to up to eighty-five percent (85%) of forty percent (40%) of the state's low-income housing tax credit allocation in lieu of the low-income housing tax credits they would have received. The subawards are subject to the same requirements (including rent, income, and use restrictions on such buildings) as the low-income housing tax credit allocations. The grant program would apply to each state's 2009 low-income housing tax credit allocation.

Potential Benefit: Provide additional equity to LIHTC projects lacking investment from syndication markets.

Deferral of Cancellation of Debt Tax
\$1.6 billion

Provision allows up to a 10 year deferral of tax due to business debt restructuring (e.g. ADC loans). Restructuring that under prior law typically gave rise to tax liability includes principal forgiveness, interest rate reductions (greater than 25 basis points), term extension, and other reductions of the net present value of the debt. The provision applies to debt restructurings in 2009 and 2010.

Potential Benefit: Remove potential income tax consequences as part of resolving ADC issues.

Net Operating Loss Carryback Expansion
\$1 billion

Provision expands the two-year carryback period to five years for 2008 tax year losses. Carryback expansion only applies to business with avg gross receipts of no more than \$15 million for tax years 2005, 2006 and 2007.

Potential Benefit: For small businesses, provides an immediate cash refund for losses in cases where the taxpayer has exhausted taxable income in the prior two tax years.

Bonus Depreciation
\$5.1 billion

Provides extends for one year, 50% expensing for 2009 capital expenditures (not including structures). Bonus depreciation also reduces the effective tax rate of utility companies, which reduces the Contribution-in-aid-of-Construction (CIAC) fees builders must pay for certain development requirements.

Potential Benefit: Reduces the real cost of making business investment by accelerating future depreciation deductions to the present.

Small Business Expensing
\$0.1 billion

Allow certain small business investments to be expensed instead of depreciated. Under the provision, businesses with less than \$800,000 in taxable income could expense up to \$250,000 in 2009 capital expenditures.

Potential Benefit: In addition to provide a tax benefit today by accelerating future tax deductions, the benefit is also a tax simplification and administrative cost benefit.

AMT patch for 2009
\$69.8 billion

Extends the inflation patch for the AMT exemption amount to prevent more than 26 million taxpayers from paying AMT, and thus more tax. Increases the AMT exemption amount to \$70,950 for joint filers and \$46,700 for individuals.

Potential Benefit: For sectors such as home building, which is dominated by pass-thru entities such as S Corps, LLCs and partnerships, the AMT is a large problem because builders often report business tax income on their individual income tax returns.

Expansion and Extension of the Existing Homes Energy Tax Credit
\$2 billion

Extends through 2010 the tax credit for existing homeowners to remodel their homes with energy efficient property, including windows, hot water heaters, and other appliances. The provision increases the lifetime cap for the credit from \$500 to \$1500 and increases the percentage of the credit from 10% to 30%.

Potential Benefit: The provision is estimated by Congressional economists to generate more than \$6 billion in remodeling activity through 2010.

Expansion of the Residential Solar, Wind and Geothermal Energy Tax Credit
\$0.3 billion

Lifts all the caps (prior law had, for example, a lifetime cap \$2,000 on the 30% credit) for the installation of certain solar, wind and geothermal power producing equipment in homes. The provision also eliminates the prohibition of claiming the credit when benefiting from certain energy subsidies.

Potential Benefit: The provision is estimated by Congressional economists to generate more than \$1 billion in remodeling activity through 2018.

Increase in New Markets Tax Credit Allocations
\$0.8 billion

Increases New Markets Tax Credit allocations for 2008 and 2009 to \$5 billion in tax credit qualified investment.

Potential Benefit: Provision promotes commercial development in targeted areas.

3% Government Contractor Withholding
\$0.3 billion

Delays for one year (until 2012) automatic 3% withholding for contractors working for state and local governments. Provision does not apply to payments for real property – services only.

Potential Benefit: Reduces future administrative and cash flow costs for certain government contracts.

Small Business Capital Gains
\$0.8 billion

Under current law, Section 1202 provides a fifty percent (50%) exclusion for the gain from the sale of certain small business stock held for more than five years. The provision allows a seventy-five percent (75%) exclusion for individuals on the gain from the sale of certain small business stock held for more than five years. This change is for stock issued after the date of enactment and before January 1, 2011.

Potential Benefit: Reduced taxation of certain small business stock.

Temporary Small Business Estimated Tax Payment Relief
Negligible Revenue Impact

Reduces the 2009 required estimated tax payments for certain small businesses.

Potential Benefit: Improved 2009 cash flow for very small businesses.

Temporary Reduction of S Corporation Built-In Gains Holding Period from 10 Years to 7 Years
\$0.4 billion

Under current law, if a taxable corporation converts into an S corporation, the conversion is not a taxable event. However, following such a conversion, an S corporation must hold its assets for ten years in order to avoid a tax on any built-in gains that existed at the time of the conversion. The bill would temporarily reduce this holding period from ten years to seven years for sales occurring in 2009 and 2010.

Potential Benefit: Improved terms for builders undergoing a business transition.

Qualified School Construction Bonds
\$9.9 billion

The bill creates a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed. There is a national limitation on the amount of qualified school construction bonds that may be issued by State and local governments of \$22 billion (\$11 billion allocated initially in 2009 and the remainder allocated in 2010). There is a national limitation on the amount of qualified school construction bonds that may be issued by Indian tribal governments of \$400 million (\$200 million allocated initially in 2009 and the remainder allocated in 2010).

Potential Benefit: Potential business opportunity for builders.

Extension and Increase in Authorization for Qualified Zone Academy Bonds \$1 billion

The bill would allow an additional \$1.4 billion of QZAB issuing authority to State and local governments in 2009 and 2010, which can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest.

Potential Benefit: Potential business opportunity for builders.

Tax Credit Bond Option for State and Local Governments (“Build America Bonds”) \$4.4 billion

The Federal government provides significant financial support to State and local governments through the federal tax exemption for interest on municipal bonds. Both tax credit bonds and tax-exempt bonds provide a subsidy to municipalities by reducing the cash interest payments that a State or local government must make on its debt. Tax credit bonds differ from tax-exempt bonds in two principal ways: (1) interest paid on tax credit bonds is taxable; and (2) a portion of the interest paid on tax credit bonds takes the form of a Federal tax credit. The Federal tax credit offsets a portion of the cash interest payment that the State or local government would otherwise need to make on the borrowing. For 2009 and 2010, the bill would provide State and local governments with the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond. Because the market for tax credits is currently small given current economic conditions, the bill would allow the State or local government to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit for bonds.

Potential Benefit: Potential business opportunity for builders.

APPROPRIATION PROGRAMS

Unless noted otherwise, provisions are subject to Davis-Bacon requirements

Appropriations - Total	\$311 billion
Infrastructure and Science	\$120 billion
Health	\$14.2 billion
Education and Training	\$105.9 billion
Energy	\$37.5 billion
Individuals	\$24.3 billion
Law Enforcement, Oversight, Other Programs	\$7.8 billion

LIHTC HOME Funding

\$2.25 billion in gap financing for LIHTC equity investment. Funds to be apportioned to states based on the percentage of HOME funds apportioned to each state and the participating jurisdictions therein. States to distribute funds competitively and based on their Qualified Allocation Plans (QAPs) to owners who have received an award of LIHTCs in FYs 2007, 2008 and 2009. Agencies must give priority to projects that will be completed in three years. This assistance is to be made in the same manner and be subject to the same rent, income and use restrictions as LIHTCs, in lieu of corresponding HOME limitations. The HUD Secretary has authority to waive provisions of any statute or regulation in connection with obligation of the funds, except fair housing, labor standards and environment.

Potential Benefit: Facilitate LIHTC development in absence of LIHTC equity investment from syndication markets.

Public Housing Capital Fund

\$4 billion for repair and modernization of public housing assets. \$3 billion to be distributed by formula to PHAs; \$1 billion to be made available by competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation retrofit investments.

Potential Benefit: Potential business opportunity for remodelers and builders.

Rental Assistance

\$2 billion for full-year payments to owners receiving Section 8 project-based rental assistance.

Potential Benefit: Assistance to Section 8 program participants.

Native American Housing Block Grants

\$510 million for to improve energy efficiency of 42,000 housing units. Half awarded by formula, half by competitive grants.

Potential Benefit: Potential business opportunity for remodelers and some builders.

Neighborhood Stabilization

\$2 billion for purchase and rehabilitation of foreclosed and vacant properties to promote affordable housing. HUD Secretary must select grantees who are in areas with the greatest number and percentage of foreclosures and can expend the funds within the period required. Additional criteria to include grantee capacity to execute projects, leveraging potential, concentration of investment to achieve neighborhood stabilization, and any other factors determined by the HUD Secretary. Repeals HERA provision that restricts use of revenues generated by the program. Clarifies that funds may be used to establish land banks for home **and** residential properties that have been foreclosed upon (HERA omitted residential properties). Clarifies that funds used for the redevelopment of demolished or vacant properties must be for housing.

Potential Benefit: Potential business opportunity for remodelers and some builders.

Rural Housing Insurance Fund

\$200 million to help rural households purchase homes.

Potential Benefit: Increased housing demand in certain rural areas.

Rural Community Facilities

\$130 million to finance rural community facilities.

Potential Benefit: Potential business opportunity for builders.

Homeless Assistance Grants

\$1.5 billion for the Emergency Shelter Grant program to provide rental assistance, housing relation and other services. Distributed by formula.

Potential Benefit: Potential business opportunity for remodelers and some builders.

Lead Paint

\$100 million in competitive grants to local governments and non-profits to remove lead paint hazards in low-income housing.

Potential Benefit: Potential business opportunity for remodelers and some builders.

Local Government Efficiency Grants

\$6.3 billion for state and local governments to make energy efficient improvements.

Potential Benefit: Potential business opportunity for remodelers and some builders.

Energy Efficiency Housing Retrofits

\$250 million allocated through competitive awards to HUD-assisted projects for energy efficient improvements. These funds to be administered by HUD's Office of Affordable Housing Preservation; OAHF to determine policies, terms and conditions on use of the funds to ensure maintenance and preservation of the property, continued operation and maintenance of energy efficiency technologies and timely expenditure of funds. HUD can provide incentives to owners to undertake energy or green retrofits. Owner must agree to additional 15 years of affordability.

Potential Benefit: Potential business opportunity for remodelers and some builders.

Home Weatherization

\$5 billion for low-income families to make their homes more energy efficient.

Potential Benefit: Potential business opportunity for remodelers and some builders.

Smart Appliances

\$300 million for rebates for consumers to replace old appliances with energy-efficient models.

Potential Benefit: Potential business opportunity for remodelers and some builders.

Small Business Administration

\$720 million for loan guarantees for small businesses.

Potential Benefit: Potential financing source for home builders during the credit crunch.

Rural Business-Cooperative Service

\$150 million for rural business grants and loan guarantees.

Potential Benefit: Potential financing source for home builders during the credit crunch.

Economic Development Assistance

\$150 million for urban business grants and loan guarantees.

Potential Benefit: Potential financing source for home builders during the credit crunch.

Community Development Financial Institutions

\$100 million for development in economically distressed areas, and to administer the New Markets Tax Credit program.

Potential Benefit: Potential financing source for home builders /light commercial developers during the credit crunch.

Community Development Block Grants

\$1 billion for community and economic development projects, including housing. Awarded by formula.

Potential Benefit: Potential business opportunity for builders.

Centers for Independent Living

\$140 million for state formula grants for individuals with disabilities continue to live in their communities.

Potential Benefit: Potential business opportunity for builders.

Highway Infrastructure

\$27.5 billion for highway and bridge construction plus \$1.5 billion for additional transportation investment.

Potential Benefit: Alternative source of business for builders.

Public Transportation

\$750 million for new construction of light rail, \$750 million to modernize existing transit, and \$6.9 billion for equipment upgrades to existing systems.

Potential Benefit: Alternative source of business for builders.

Rail

\$1.3 billion for Amtrak improvements and \$8 billion for high speed rail (Las Vegas to LA line?)

Potential Benefit: Alternative source of business for builders.

Airport Improvement Grants

\$1.1 billion for infrastructure improvements.

Potential Benefit: Alternative source of business for builders.

Airport Improvement Grants

\$1.1 billion for infrastructure improvements.

Potential Benefit: Alternative source of business for builders.

Department of Defense Facilities

\$7 billion for facility construction and improvement, including energy efficient offices, medical facilities, and \$890 million for base housing improvements.

Potential Benefit: Alternative source of business for builders.

Veterans Administration Facilities

\$1 billion for repair and modernization of medical facilities.

Potential Benefit: Alternative source of business for builders.

Job Corps Facilities

\$250 million for upgrades to job training facilities.

Potential Benefit: Alternative source of business for builders.

Clean Water

\$7.4 billion for loans to communities to upgrade water infrastructure.

Potential Benefit: Alternative source of business for builders.

Water Resources

\$6 billion for water resource development.

Potential Benefit: Alternative source of business for builders.

Environmental Cleanup

\$7.1 billion for Superfund, brownfield, and other cleanup programs to promote community development.

Potential Benefit: Alternative source of business for builders and cleanup of future development sites.

Public Land Development

\$2.5 billion for infrastructure development on public lands, including parks.

Potential Benefit: Alternative source of business for builders.

Bureau of Indian Affairs

\$500 million for road and infrastructure development.

Potential Benefit: Alternative source of business for builders.

Community Health Centers

\$2 billion for improved community health and infrastructure.

Potential Benefit: Alternative source of business for builders.

Firefighter Assistance Grants

\$210 million for grants to modify, upgrade and construct fire stations.

Potential Benefit: Alternative source of business for builders.

Congressional Budget Office / Joint Committee on Taxation
Cost Estimate Summary

TABLE 1. SUMMARY OF ESTIMATED COST OF THE CONFERENCE AGREEMENT FOR H.R. 1, THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009, AS POSTED ON THE WEB SITE OF THE HOUSE COMMITTEE ON RULES

	By Fiscal Year, in Billions of Dollars											2009- 2019
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
DIVISION A—APPROPRIATIONS ^a												
Estimated Budget Authority	288.7	7.1	4.6	3.6	2.5	1.1	1.1	1.1	1.1	0.5	0	311.2
Estimated Outlays	34.8	110.7	76.3	38.1	22.9	12.8	7.0	3.1	1.6	0.8	0.1	308.3
DIVISION A—REVENUES												
Estimated Revenues	*	*	*	*	*	*	*	*	*	*	*	-0.1
DIVISION B—DIRECT SPENDING												
Estimated Budget Authority	90.3	107.6	49.0	7.6	7.3	15.1	4.7	-4.7	-4.1	-1.9	-1.4	269.5
Estimated Outlays	85.3	108.6	49.9	8.1	7.4	15.1	4.7	-4.7	-4.1	-1.9	-1.4	267.0
DIVISION B—REVENUES												
Estimated Revenues	-64.8	-180.1	-8.2	10.0	2.7	5.5	7.1	5.8	5.1	5.0	0.1	-211.8
NET IMPACT ON THE DEFICIT												
Net Increase or Decrease (-) in the Deficit	184.9	399.4	134.4	36.1	27.6	22.4	4.7	-7.3	-7.5	-6.1	-1.4	787.2

a. Most of the spending for Division A would stem from discretionary appropriations. The totals include about \$29 billion in 2009-2019 changes to mandatory programs that are contained in Division A.

Notes: Components may not sum to totals because of rounding. * = revenue reductions of less than \$50 million.

Sources: Congressional Budget Office and the Joint Committee on Taxation.