

American Recovery and Reinvestment Act of 2009 Summary

HOUSING FINANCE

FHA and GSE Loan Limits

Returns loan limits to \$729,750 for FHA-insured loans and GSE conforming loans through the end of 2009.

Potential Benefit: Reduce housing finance costs, thereby stimulating housing demand.

TAX PROVISIONS

First-Time Home Buyer Tax Credit

\$8,000 refundable tax credit for purchases on or after 1.1.09 and before 12.1.09.

Potential Benefit: Stimulate demand among fence sitting prospective buyers.

Low-Income Housing Tax Credit Industry: Supplemental Resources

85% credit allocation exchange provision for HFAs. Builders can apply for sub-awards from proceeds.

Special appropriation of \$2.25 HOME funds for use in LIHTC projects (may be subject to Davis Bacon requirements)

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

Deferral of Cancellation of Debt Tax

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

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

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

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

Extends the inflation patch for the AMT exemption amount to prevent more than 23 million taxpayers from paying AMT, and thus more tax.

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

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.

Increase in New Markets Tax Credit Allocations

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

Delays for one year (until 2012) automatic 3% withholding for contractors working for state and local governments.

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

APPROPRIATION PROGRAMS

Note – all appropriation programs are subject to Davis-Bacon requirements

LIHTC HOME Funding

\$2.25 billion in gap financing for LIHTC equity investment.

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.

Potential Benefit: Potential business opportunity for remodelers and builders.

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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.

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.

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.

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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.

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.

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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.