



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

500 New Jersey Avenue, N.W.
Washington, DC 20001-2020
202.383.1194 Fax 202.383.7580
www.realtors.org/governmentaffairs

Charles McMillan
CIPS, GRI
President

Dale A. Stinton
CAE, CPA, CMA, RCE
EVP/CEO

GOVERNMENT AFFAIRS
Jerry Giovaniello, Senior Vice President
Gary Weaver, Vice President
Joe Ventrone, Vice President
Jamie Gregory, Deputy Chief Lobbyist

January 8, 2009

The Honorable Max Baucus
Committee on Finance
511 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Baucus:

Congress did a good thing in 2008 when it enacted the \$7500 first-time homebuyer tax credit. Unfortunately, the tax credit does not appear to be generating the stimulus that legislators had expected. Prospective homebuyers simply see no incentive effect in a tax benefit that will have to be paid back over time. At a time when people are trying to minimize their debt loads, the tax credit is perceived as simply adding to their debt, not as providing a benefit.

A further challenge with the repayment feature is that there is literally no one who can explain the mechanics of how the credit will be paid back. *No other tax credit available to individuals must be paid back.* Thus, there is no precedent that would suggest a model for how taxpayers would make the payment. As the repayments will not commence until 2010, the IRS has not yet provided guidance. Thus, Realtors can provide no explanation to prospective purchasers who are reluctant to undertake a tax obligation they don't understand.

The NATIONAL ASSOCIATION OF REALTORS (NAR) believes that the credit would provide a more beneficial stimulus if the repayment requirement were eliminated. In addition, the credit should be available for all purchases of a principal residence rather than restricted solely to first-time homebuyers and it should be made available through December 31, 2009.

NAR's recently-released Pending Home Sales Index report for November 2008 showed the greatest decline in pending sales transactions since NAR began tracking this market segment in 2001. (The Pending Home Sales Index tracks pending sales of existing homes. A sale is listed as "pending" when a contract has been signed but the transaction has not yet closed at settlement.) This suggests that the marketplace has not yet responded to this tax incentive. This data underscores the pressures in the housing market. Presently, the inventory of available houses available for purchase is more than three times its usual levels.

We look forward to working with you to include a provision in the upcoming stimulus package to eliminate the repayment feature of the tax credit, to extend the credit to all purchasers of a principal residence and to extend the duration of the credit through December 31, 2009.

Sincerely,

Charles McMillan, CIPS, GRI
2009 President, National Association of REALTORS®