

**Tax Provisions – Mortgage Protection and Foreclosure Relief Legislation
HR 5720 and HR 3221**

April 2008

Provisions in House and Senate Bills

Home Buyer Tax Credit – Both bills create a temporary tax credit that would be available to some individuals who purchase a principal residence.

Feature	House Bill (HR 5720) Housing Assistance Tax Act Ordered reported from House Ways and Means Committee April 9, 2008 (35 – 5)	Senate (HR 3221) Foreclosure Prevention Act Passed full Senate 84 – 12 April 10, 2008
Amount of credit	\$7500 in year of purchase	\$7000 over 2 years (\$3500 each year)
Eligible Property	Any single-family residence (including condos, co-ops) that will be used as a principal residence.	Foreclosed residences or previously unsold property being constructed on or before September 1, 2007. Must be used as buyer’s principal residence.
Refundable	Yes	No. Carryforward permitted.
Income limit	Yes. Full amount of credit available for individuals with adjusted gross income of \$70,000 (\$140,000 on a joint return). Phases out above those caps.	None
First-time homebuyer only	Yes. May not have owned residence in previous 3 years.	No. All purchasers eligible.
Recapture	Yes. Portion (6. % of credit to be repaid each year for 15 years. If home sold before 15 years, then remainder of credit recaptured.	Credit recaptured if property is sold within two years of purchase or if property not used as principal residence.
Impact on DC credit		DC credit not available if purchaser uses this credit.
Effective Date	Purchases on or after April 8, 2008	Date of enactment (when President signs final legislation)
Termination	April 1, 2009	One year from date of enactment
Interaction with Alternative Minimum Tax		Can be used against AMT, so credit will not throw individual into AMT.

Mortgage Revenue Bonds: State housing agencies are granted an additional \$10 Billion (to be allocated among the states as under current law) for the purpose of refinancing specified subprime mortgages.

Feature	HR 5720	HR 3221
Use of Proceeds from Issue of Mortgage Revenue Bonds (MRB)		Proceeds from mortgage revenue bonds (MRBs) may be used to refinance certain subprime mortgages. (Current law does not permit proceeds to be used to refinance mortgages.)
Eligible Mortgages		Eligible subprime mortgage: (1) Existing mortgage must have an adjustable rate (2) Balance within existing mortgage limits of MRB program (based on local criteria) (3) Eligible borrower need not have been first-time buyer (4) Loan originated between December 31, 2002 and January 1, 2008 (5) State housing agency must find that borrower will experience hardship if loan not refinanced
Interaction with AMT		Tax-exempt interest from MRBs, Veterans Mortgage Bonds and facility bonds used for rental housing will not be included in AMT base
Effective Date		Proceeds from bonds issued after date of enactment may be used for refinancing. All proceeds must be used before December 31, 2010.

Property Tax Deduction: Both bills provide an additional deduction amount for individuals who do not itemize their deductions.

Feature	HR 5720 (House)	HR 3221 (Senate)
Additional Standard Deduction for property tax payments	\$	Up to \$500 of property tax may be deducted in addition to the standard deduction. (\$1000 on a joint return.)
Duration		Tax year 2008 only, and only if state and local taxes are not increased after April 2, 2008 or before January 1, 2009

Provisions in Senate Bill Only:

Net Operating Losses: The Senate bill provides that operating losses from tax years 2008 or 2009 may be carried back to offset taxes from the four previous years. (Current law limits carryback to 2 years.)

Provisions in House Bill Only

Feature	HR 5270
Low-income Housing Tax Credit	Legislation increases amount of tax credit each state may receive as an allocation. Includes numerous technical provisions to modernize the credit. Assures that neither this credit nor other housing-related credits and bonds generate AMT liability.
FIRPTA Reporting Requirements	Current law provides that a seller of any real property interest must provide disclosures to buyers that the seller is a US person. This generally requires the seller to provide his/her Social Security number to the buyer. Concerns about possible identity theft led the Committee to include a provision that would allow the seller to provide the necessary information to the real estate settlement officer (usually a title company or attorney who has fiduciary responsibilities to safeguard the information).
Real Estate Investment Trusts	Technical changes for taxable REIT subsidiaries.
Rehabilitation Tax Credit	Technical changes to interaction of historical rehabilitation tax credit and tax-exempt entities.

Revenue Raisers: No real estate provisions are used to “pay for” changes.

Revenue Raiser	HR 5720 (House)	HR 3221 (Senate)
Basis Reporting for Securities Dealers	Dealers are required to report not only the amount of gain (loss) on securities, but also the owner’s basis in the security.	No provision: Senate package is treated as temporary “emergency” legislation, so no revenue raisers needed.
Multi-national Corporation Accounting Rule	Deferred effective date.	No provision.