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JOINT COMMITTEE ON TAXATION

1015 LONGWORTH HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6453

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<http://www.jct.gov>**JUN 12 2009**Honorable Johnny Isakson
United States Senate
SR-120
Washington, DC 20510

Dear Senator Isakson:

This letter is in response to your request dated June 11, 2009, for a revenue estimate of S. 1230, the "Home Buyer Tax Credit Act of 2009."

Under present law, an individual who is a first-time homebuyer of a principal residence is allowed a refundable tax credit equal to the lesser of 10 percent of the purchase price of the residence or \$8,000. The credit phases out for individual taxpayers with modified adjusted gross income between \$75,000 and \$95,000 (\$150,000 and \$170,000 for joint filers) for the year of purchase. A taxpayer is considered a first-time homebuyer if such individual had no ownership of a principal residence in the United States during the three-year period prior to the purchase of the home to which the credit applies. The tax credit is available for purchases made on or after January 1, 2009, and before December 1, 2009. A credit not to exceed \$7,500 is allowable for eligible purchases made on or after April 9, 2008, and before January 1, 2009. For purchases made in 2008, the credit is repaid ratably over 15 years. If the taxpayer disposes of the principal residence before the end of the recapture period, the taxpayer must repay the remainder of the credit in the taxable year in which disposition occurs. For purchases made in 2009, the recapture requirement is waived, and the credit is immediately repayable only if the taxpayer disposes of the principal residence within 36 months of purchase.

Your bill repeals the existing first-time homebuyer credit as of the date of enactment and creates a new non-refundable credit equal to the lesser of \$15,000 or 10 percent of the purchase price for owner-occupied homes. The taxpayer has the option to use all of the credit in one year or to spread the credit out over two years. The new credit is not limited by the alternative minimum tax and is effective for qualifying home purchases within 12 months of the date of enactment. If the taxpayer disposes of the home or the home otherwise ceases to be the principal residence of the taxpayer within 24 months from the date of purchase, the present law rules for recapture of the credit would still apply.

Assuming an enactment date of July 1, 2009, we estimate that your proposal would have the following effect on Federal fiscal year budget receipts:

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Fiscal Years [Billions of Dollars]							
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2009-14</u>	<u>2009-19</u>
-0.3	-23.5	-13.3	-1.6	0.1	---	-38.5	-38.5

NOTE: Details do not add to totals due to rounding.

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,



Thomas A. Barthold