



For Immediate Release
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**Floor Statement of Senator Max Baucus (D-Mont.)
Regarding the Senate Housing Bill**

Mr. President, a Chinese proverb asks: “How can one beam alone support a house?”

The same can be asked about the housing market. The housing market includes homeowners, homebuyers, and homebuilders, alike. To support the entire housing market, one does best to support each of its several parts.

And that is why I worked with my Colleague Chuck Grassley and other Members of the Finance Committee to craft the housing tax provisions in the pending substitute amendment. These provisions address the several parts of the housing market. Our legislation would help homeowners, homebuyers, and homebuilders. And in so doing, our legislation would provide sounder support for the market as a whole.

In today’s economy, many homeowners are having difficulty paying the mortgage. About four percent of first mortgage debt is delinquent. And another one percent is in default.

Last year, nearly 1 and a half million homeowners defaulted on their first mortgages. That’s up from 900,000 in the year before and 800,000 in the year before that.

Defaults and foreclosures have contributed to the decline in housing prices. They have destroyed more than \$2.5 trillion in household net worth in the space of a year.

Our legislation would help homeowners with a property tax deduction available for people who do not itemize their tax deductions. This new deduction would alleviate some of the burden of local property taxes, at a time when homeowners are struggling to pay their mortgages.

This new property tax deduction would provide a standard deduction of up to \$500 for single filers and \$1,000 for joint filers. And it would be available to the more than 28 million families who pay property taxes but do not itemize their deductions.

These are middle- and low-income households. And these are some of the same families in the housing market who most need relief.

For homebuyers, our legislation includes a homebuyer credit and mortgage revenue bonds.

The homebuyer tax credit provides a \$7,000 tax credit for the purchase of a home upon which foreclosure has been filed. The tax credit rightly excludes second-home purchases and rental investments. It focuses on the principal residences of struggling families.

By targeting foreclosed properties, our provision would get families into vacant homes.

And by targeting homes that are near foreclosure, our credit may steer homebuyers to those homes. And that may make enough difference to help some families to get out of foreclosure and out of harsh eviction proceedings.

Our legislation also includes mortgage revenue bonds. We would provide an additional \$10 billion of tax-exempt private activity bond authority. States could use these bonds to refinance subprime loans, to provide mortgages for first-time homebuyers, and to provide multifamily rental housing.

This substantial increase for the states comes at a critical time. States are directly experiencing the effects of the economic downturn.

With the financial crisis tightening up lending, this cash can provide much-needed financing. And that financing will once again help low-to-middle-income households.

And the subprime mortgage crisis and declining housing sales have forced many homebuilders to lose money. According to the most recent Labor Department report, construction and manufacturing are the hardest-hit sectors of the economy. Construction shed 51,000 jobs so far in 2008. And manufacturing shed 48,000 jobs.

Construction employment alone is down 182,000 jobs since November. It's down by 356,000 jobs over the last year.

Overall, the private sector has lost 296,000 jobs over the last three months. That's a loss of 97,000 jobs a month.

For homebuilders, our package would allow businesses to carry back losses to profitable tax years. That would help the homebuilders hit hardest by the housing market crisis. The pending amendment would allow troubled businesses to carry back net operating losses for four years for tax years 2008 and 2009. And that would allow them to receive quick tax refunds.

This tax relief would slow losses. These businesses would then have a quick cash infusion to meet payroll and other current expense obligations. And we hope that this relief would encourage these businesses to rehire some of those workers who have lost their jobs. This provision benefits both employers and employees.

As well, the net operating loss provisions in the pending amendment would allow homebuilders and other distressed businesses to take the book benefit of a net operating loss before claiming the amount on their tax return. This would help distressed businesses to obtain additional financing.

Now these provisions alone will not solve the housing market woes facing the nation. But by helping homeowners, homebuyers, and homebuilders, we would take significant steps in the right direction.

No one piece of legislation can solve all of our problems. But inaction will most certainly solve none of our problems.

That's why we must act. We should bring debate to a close. We should invoke cloture this afternoon. And we should pass this much-needed tax relief.

Let us not rely on one beam alone to support an entire structure. Let us pass this help for homeowners, homebuyers, and homebuilders. And let us provide much-needed support for the housing market.

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