

Senate Passes Tax Breaks Aimed at Housing Crisis

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WASHINGTON—The Senate passed a combination of tax breaks and funding intended to help home builders and struggling borrowers in its most aggressive effort to address the cratering housing market.

By an 84-12 vote, the Senate passed legislation allowing a new property-tax deduction, \$25.5 billion in tax relief for banks and home builders and a \$7,000 tax credit for the purchase of an owner-occupied foreclosed home.

But the prospects of the legislation becoming law are slim. The White House and some Senate Republicans have criticized aspects of the bill, and Democrats in the House of Representatives favor different fixes to help stem record numbers of foreclosures and the resulting economic dislocation.

The House's housing-stimulus proposals include a package of tax credits for first-time home buyers, increased assistance for low-income rental housing and a more-modest property-tax deduction. In addition, House Financial Services Chairman Barney Frank (D., Mass.) is pushing a plan to use the Federal Housing Administration to guarantee as much as \$300 billion in loans to help refinance at-risk loans.

House leaders hope to pass their housing-aid package by the end of the month. Lawmakers would then have to negotiate a compromise and reconcile the packages.

The White House, in a letter sent Wednesday to House Speaker Nancy Pelosi, warned that lawmakers could further depress home values with some legislative proposals. "We must not

prolong necessary corrections in the housing market, bail out lenders, or subsidize irresponsible borrowing and lending," the letter said.

Still, the Senate's legislation marked a rare bipartisan effort in the chamber, where major policy legislation can easily be bottled up, particularly in an election year. And with 5.82% of the nation's mortgage loans delinquent during the fourth quarter, lawmakers said it was important they act.

The legislation attempts to address the housing crisis in a number of ways: homeowners who don't itemize their tax returns would receive a \$500 or \$1,000 property-tax reduction, while states would be authorized to issue \$10.9 billion in tax-free bonds to help refinance troubled borrowers. The bill also provides \$180 million for counseling and legal services for at-risk borrowers, and a \$7,000 tax credit for purchasing owner-occupied homes in or near foreclosure.

The most controversial provision would allow businesses to offset losses this year and next with profits from previous years. This would especially help home builders and financial companies hurt by the downturn in housing and facing mounting losses and write-downs after earning billions of dollars during the housing bubble.

The provision has upset housing groups and some fiscal conservatives, who say the firms don't deserve a bailout. "If you made money for three or four years, a lot of money, you shouldn't have a bonus given to you in the years when you're not making money," Sen. Judd Gregg (R., N.H.) said during debate on the measure earlier this week.