

One more time

Group seeks new home buyers' tax credit

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California's home building industry is lobbying for a second round of lucrative tax credits for buyers of new homes.

The California Building Industry Association argues that the first tax credit worked so well, putting a second incentive into play would give the state's economy and battered housing sector a much-needed boost.

"Until the housing market comes back, the economy won't come back," said Frank Williams, CEO of the BIA's Baldy View Chapter in Rancho Cucamonga. "It's 20percent of the economy."

But it's hard to tell just how big of a jolt a second credit would give the struggling market.

The first credit cost California \$100million.

Home buyers who qualified for the proposed second installment would reap \$10,000, or 5percent of their home's purchase price, between 2010 and 2012.

Some in the building industry argue that the economic benefits of putting people to work

outweigh the cost of the initiative.

"The more homes are sold, the more it produces sales tax (revenue) and gets people off of unemployment," Williams said.

Chris Thornberg thinks that's hogwash.

The economist and owner of Beacon Economics is part of a group of naysayers who don't think the first incentive helped the economy and doubt the wisdom of a second.

"First you need to ask: Why would this be a good thing?" Thornberg said. "The state's budget is completely constrained. If you subsidize home buying, why don't you subsidize the purchase of stereos or massages or trips to Las Vegas."

The economic argument behind the tax credit falls flat on its face, he says. It's more about shoring up the balance sheets of hard-hit builders.

Home building in California set a record low in 2009, according to the CBIA.

About 36,000 building permits were issued statewide, down 44 percent from 2008 and 83percent from 2004. A permit is pulled to build one house or a multi-family structure.

More than 176,000 permits were issued in 2004, which was the peak.

The CBIA projects 52,000 permits will be issued

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in 2010, which is "by no means a recovery," a statement says.

Whether the first tax credit was about home builders' financial outlook or spurring the economy at large, Barry Gross says a more important issue is in play.

"(Developers and builders) are buying lots right now not to make money, but just to not lose their staffs," said Gross, president of Developer's Research in Irvine. "The bigger fact is that you could lose people who've been with you for 10 or 15 years. It's a huge investment."

The economic argument stands, he says. If a dry-wall contractor goes back to work, he's probably going to spend more money at restaurants and stores.

"It's about the builders - no question about it," Gross said. "But (with the tax credit), you're going to get people back to work."

One thing for sure: People are interested in it.

At a recent sneak-peek preview of a new home development in Upland by Trumark Homes, 200 people showed up.

"One of the big driving factors is the (federal) tax credit," said Marianne Browne, vice president of sales and marketing for Trumark. "(Potential buyers) are very well educated about both the federal and (proposed) state credits."

The federal credit, which was extended to April 30, gives \$8,000 to qualifying first-time buyers of new or used homes.

As far as a second California credit, "people are definitely talking about it," Browne said.

But the credit probably isn't a deciding factor in whether buyers decide to make the plunge, she said.

"It's a motivating factor," she said. "A lot of them would be buying anyway. They've decided that for whatever reason, they want to get into a home."

Jonathan Weldy agrees.

The owner of Meridian Land Development Co. in Apple Valley says the state's tax credit jump-started people who were going to buy whether in the next month or the next year.

"It's enough to get a certain segment of people to actually act," he said. "There's a number of uncertainty factors keeping keeping them from (acting)."

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