

Builders see tax credit boosting home sales

By Gerald Frawley
staff writer

Give me \$2,000 if you buy a house. That's what builders are hoping President George Bush will say during his State of the Union address on Jan. 28.

In an attempt to kick start the economy, the administration has been kicking around a notion — among other ideas — that would offer a \$2,000 tax credit for middle income, first-time house buyers. The program, according to information leaked to the media, would last for only a short time — six months to a year.

Every little bit will help, according to area builders, who despite a better sales year than many expected, are expecting a hard time if the economy continues to plod along like a ballet dancer in snow shoes.

BERNARD GLIEBERMAN, president of the Builders Association of Southeastern Michigan, said he doesn't think a \$2,000 tax credit would have made much of a difference several months ago. But coupled with low interest rates, the offer may be too good for people who are considering buying a home — but still haven't made a commitment — to pass up.

"For any young person considering buying a house, the low interest rates (and \$2,000 tax credit) is the chance of a lifetime," Glieberman said. "If they were having doubts, that's a great reason to buy now."

Getting the housing industry going again is critical, Glieberman said, and not just because he happens to be in the business of selling houses.

"One thing I believe, and that is because I've seen it before, is the housing industry always pulls the country out of a slow turn," he said.

House building creates construction jobs, adds to the tax base, and once a house is bought, stimulates the economy when new homeowners

buy goods to use in their homes.

The fact that what is being proposed is a tax credit — which means the \$2,000 comes right off the top of the tax bill — would also spur home sales.

A tax deduction, which would give consumers only a percentage of the \$2,000 after buying a home, would be far less successful, he said.

DEVELOPER HERBERT LAWSON, president of Herbert Lawson Inc. in West Bloomfield, said that he's leary about speculating on a proposal before it's penned in ink, but he is encouraged at what he's heard from the rumor mill and media reports.

"Anything that will help people buy homes should be encouraged," he said.

How much difference an incentive like a \$2,000 tax credit will make is difficult to say.

"Everything is relative; the car companies have done very well with their rebate program."

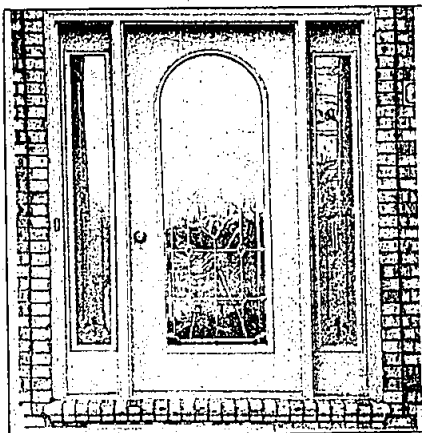
Lake Glieberman, Lawson said he believes many people are sitting on the fence because they are afraid the economy is not going to improve. A tax credit could send the right message.

Still, the major obstacle to buying a house — especially for first-time buyers who have not built equity in an existing home — is coming up with a down payment, he said.

If a tax credit becomes reality, that may make a difference. When people buy a home they need money for more than a down payment. Furniture, appliances, taxes, association fees and other home basics are associated expenses.

"With the \$2,000 they know they are getting right back, they may be able to buy a home now or borrow money to get them through to tax return time."

The limited time frame would give consumers a reason to buy now,



Builders are hoping President Bush will announce a tax credit plan that will allow more buyers to open the door to new houses.

rather than wait until the economy is fully recovered.

"All in all, it may be enough to take (potential buyers) off the fence," he said.

JAY SHACKFORD, vice president of public affairs for the National As-

sociation of Home Builders, the group that began spearheading a drive for a housing tax credit as far back as September, said such an incentive would get the housing market moving again. He mentioned that housing starts (nationally) in 1991 were the lowest since 1945.

"Builders are on the cutting edge of the economy — we see the downturns and the upturns first."

"Basically, we came up with three suggestions. One, put an end to the credit crunch," Shackford said. Despite the availability of money, lenders were being very conservative after the savings and loan debacle.

"You can't run a free, open market unless there is money available," he said.

"Second, we felt pressure had to be kept on the Federal Reserve to lower interest rates," Shackford said.

The final piece of the puzzle was to restore consumer confidence. "We felt the government really had to step in here."

A tax credit for first-time, new home buyers was proposed, he said, because buying new homes would have an immediate effect on the economy.

The NAHB has since relaxed this stance, and opted for a tax credit for buyers of new and existing homes.

"The impact would be less dramatic but will accomplish the same goal, he said. Once older homes are sold, move-up buyers can afford to buy new homes.

"Our figures said that such a tax credit will result in an additional 250,000 housing starts over last year, which will generate 450,000 jobs," he said. The measure will cost approximately \$1 billion, but should generate \$1 billion.

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— Bernard Glieberman

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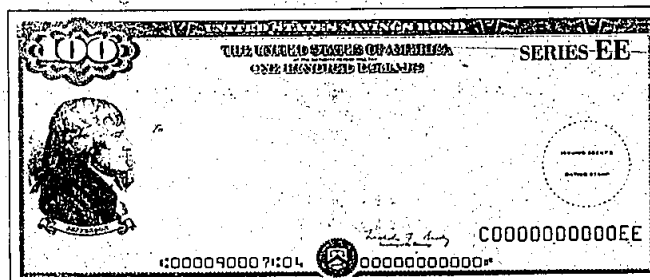
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