United States Senate

WASHINGTON, DC 20510

October 26, 2005

The Honorable Charles Grassley
Chairman
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Max Baucus
Ranking Member
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Grassley and Senator Baucus:

We are writing to express our support for including a modified version of the Community Development Homeownership Tax Credit Act (S. 859), which would assist in building and rehabilitating homes for the victims of Hurricane Katrina in Louisiana, Mississippi and Alabama, in a Katrina related tax bill.

We applaud you for the quick action that you have taken on developing and enacting the Katrina Emergency Tax Relief Act of 2005. As the focus of the Finance Committee turns to developing a tax package that would help with the rebuilding of the Gulf Coast, we believe a homeownership tax credit crafted to encourage the development of the low- and moderate-income housing in Alabama, Louisiana, and Mississippi provides an appropriate stimulus.

We are deeply concerned that too many low- and moderate-income families, living in both urban and rural areas, will not be able to afford to rebuild their homes and regain the dream and benefits of homeownership due to the high-cost of rebuilding. This legislation could be modified to help with the building of homes in low- and moderate-income neighborhoods in areas that were devastated by Hurricane Katrina.

By helping to rebuild homes in the Hurricane Katrina disaster area, we can also create jobs and help provide critically needed economic development in historically low- and moderate-income areas.

The Community Development Homeownership Tax Credit Act would provide a tax credit to developers/and or investors that build or substantially rehabilitate homes for sale to low-and moderate-income buyers in low-income areas. The homeownership tax credit is designed to generate equity investment sufficient to cover the gap between the cost of development and the price at which the home can be sold to an eligible buyer.

Under S. 859, the maximum tax credit equals 50 percent of the cost of construction, substantial rehabilitation, and building acquisition. The eligible cost may not exceed the Federal Housing Administration single-family mortgage limits and the minimum rehabilitation cost is $25,000. The bill sets aside 7.5 percent of the credit for non-profit organizations.

The bill proposes that individual states will write plans for allocating the tax credits using the following selection criteria: contribution of the development to community stability and revitalization; community and local government support; need for home ownership development in the area; sponsor capability; and the long-term sustainability of the project as owner-occupied residences. Individual developers along with investors would apply to the state to be awarded a tax credit for developing a property in a low- or moderate-income area. If chosen by the state, investors can start to claim the tax credits as the homes are sold to eligible buyers.

We believe the Homeownership Tax Credit Act can easily be modified to be a temporary program that would help with the rebuilding of homes in the Gulf Coast. This type of program would provide Alabama, Louisiana, and Mississippi the flexibility that they need to rebuild in the regions that were hardest hit.

Thousand of families with modest means would benefit greatly from a tax credit which encourages the building of homes in low- and moderate-income areas. This credit would help ensure that there would be both new and refurbished homes available to displaced residents when they return to the Gulf Coast to rebuild their lives.

Thank you in advance for your consideration of this request. Enclosed for your reference are the legislative language and summary of S. 859.

Sincerely,

John F. Kerry

Rick Santorum

Debbie Stabenow

John Ensign