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# Schwarzenegger proposes tax credit to spark new home building

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More than 20,000 California homebuyers could get state tax credits of up to \$10,000 this year under a new stimulus proposed Wednesday by Gov. Arnold Schwarzenegger.

The governor's plan to allocate \$200 million in credits to buyers of new or existing homes is part of a job creation strategy. It goes now to state lawmakers for consideration.

"This is about helping eliminate extra housing to get construction back on tap," said Victoria Bradshaw, Schwarzenegger's secretary of labor and workforce development, in a call with reporters.

It's unclear how fast legislators might act. But last year, they handily approved \$100 million in tax credits for buyers of new, unoccupied homes. The credits, claimed by 10,600 buyers from March through June, proved popular and ran out faster than expected.

Wednesday's announcement in the governor's annual State of the State address won praise from the state's struggling real estate sector.

"Wonderful," said Barbara Harsch, president of the Sacramento Association of Realtors. "Anything that will bring more buyers into the market, that allows more people to buy a home, is good for getting us out of the real estate slump. That eventually will get us out of the economic slump."

Building industry representatives said they wouldn't oppose extending tax credits to existing homes. But Allison Barnett, a lobbyist for the California Building Industry Association, said using credits for new home construction creates more jobs.

Would-be buyers hoped for quick passage.

"This has taken me from being on the fence to really wanting to take action," said Chris Harris, 32, of Roseville. "That can make a huge difference."

The tax credits – which would provide up to \$3,333 off state taxes for each of the next three years – could be combined with an \$8,000 federal tax credit. That credit for first-time buyers ends April 30.

Schwarzenegger administration officials said conditions of their proposal would be similar to

last year's credit. That had no income limits, made all buyers eligible and required that buyers live in their homes. No dates have been set yet for eligibility. Buyers qualified last year by closing escrow after the credits became available on March 1.

The proposal has its critics. Some renters object to subsidizing homebuyers, and some economists think \$200 million in a deficit-plagued state is better spent elsewhere.

"Housing isn't all that important of a driver of jobs," said Chris Thornberg, head of Los Angeles-based Beacon Economics. "Somehow, that the state should be spending its money to subsidize people to buy homes is nuts."

Thornberg said there is enough incentive with the federal tax credit and low interest rates.

But building industry officials think otherwise.

"We've been so hard-hit by this recession," said John Orr, president and chief executive of a builder trade group, the North State Building Industry Association in Roseville. "Our area needs jobs, and new home construction means very good jobs for the region."

Home builders counted 3,398 closed escrows in the eight-county Sacramento region during the first 11 months of 2009. That was just 9 percent of all area sales, according to San Diego County researcher MDA DataQuick. In 2005, new homes were 25 percent of sales.

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