BUSINESS

Homebuyer tax credit near extension

Repeat buyers could get $6,500; House has similar legislation

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WASHINGTON — Senators agreed Wednesday to extend a popular tax credit for first-time homebuyers and to offer a reduced credit to some repeat buyers.

The tax credit provides up to $8,000 to first-time homebuyers but is set to expire at the end of November. The Commerce Department said Wednesday that new homes sales fell 3.6 percent in September, and some industry representatives blamed uncertainty about the tax credit.

Senators agreed to extend the existing tax credit for first-time homebuyers while offering a reduced credit of up to $6,500 to repeat buyers who have owned their current homes for at least five years, said Regan Lachapelle, a spokeswoman for Senate Majority Leader Harry Reid, D-Nev.

The tax credits would be available to homebuyers who sign sales agreements by the end of April. They would have until the end of June to close on their new homes, according to a summary of the legislation being circulated among lawmakers.

Senators were still negotiating the expansion of a separate tax credit that lets money-losing businesses get refunds for taxes paid in previous years, providing them with an immediate source of cash.

Senators in both political parties were hoping to add both tax provisions to a bill that would give people running out of unemployment insurance benefits up to 20 more weeks of federal aid. The Senate could vote on the overall bill as early as Thursday, but lawmakers were still haggling over several unrelated amendments Wednesday evening.

Popular bills like the one to extend unemployment benefits often attract amendments that would have a difficult time passing on their own.

Republicans were demanding that they be given a chance to offer amendments to restrict federal aid to the beleaguered community activist group ACORN and on requiring that people receiving unemployment insurance be processed through E-Verify, an Internet-based system that employers use to check on the immigration status of new hires.

Majority Democrats have refused to add the amendments.

If the Senate passes the bill, it would go to the House, which passed a similar bill extending unemployment benefits last month. House leaders have also said they support extending the tax credit for homebuyers.

Sen. Chris Dodd, D-Conn., has been negotiating for several weeks with Sen. Johnny Isakson, R-Ga., to craft an extended tax credit for homebuyers that would pass the Senate.

Lawmakers didn't release a cost estimate for extending the tax credit, though similar proposals were projected to cost about $10 billion.

Industry representatives said uncertainty about the tax credit is hurting new home sales. September's decline was the first since March.

It takes 45 days to 60 days to close on a house making it unlikely a sale made today would be consummated by the end of November, said Lucie Salvant, spokesman for the National Association of Realtors.

"Buyers right now have an incentive to hold off, not knowing whether the credit will be extended," Salvant said.

About 1.4 million first-time homebuyers have qualified for the credit through August. The National Association of Realtors estimates that 350,000 of them would not have purchased their home without the credit.

The tax credit for money-losing businesses is a favorite among Republican lawmakers. Businesses could get tax refunds by using losses from 2008 and 2009 to offset taxable profits made in the previous five years.