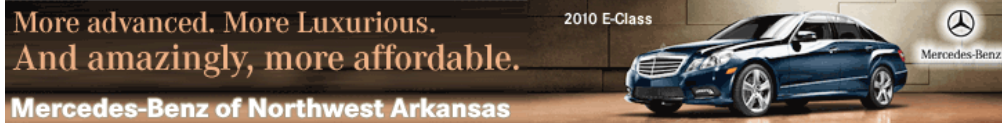


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Home-buying break fits state widely

40% of owners called eligible for \$6,500 U.S. tax credit on a new home

By David Smith

Tuesday, November 10, 2009

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LITTLE ROCK — More than 40 percent of Arkansas homeowners are eligible for a \$6,500 federal tax credit if they sell their home and buy another one by June 30, according to an analysis of census numbers.

President Barack Obama signed a bill last week to extend an \$8,000 tax credit to first-time homebuyers and provide a \$6,500 credit to buyers who have owned their principal home for five of the past eight years. For both the extension for first-time homebuyers and the new \$6,500 credit, homeowners must sign a purchase agreement by April 30 and close by June 30.

To qualify for the \$6,500 credit, home owning couples must make less than \$225,000, and a single person can make no more than \$125,000. The principal home purchased cannot cost more than \$800,000. Vacation homes are not eligible.

Congress offered the tax credits to help stimulate a national housing market that is well below its peak of four years ago.

There are about 1.2 million households in Arkansas, and approximately 750,000 are owned by the occupants, according to the U.S. Census Bureau.

An estimated 30 percent of those homes are owned by married couples who meet the other criteria, according to demographic research done by the Gadberry Group in Little Rock for the Arkansas Democrat-Gazette.

Approximately 11 percent of those homes are owned by singles who meet the criteria, said Larry Martin, a principal with the Gadberry Group. The firm provides current detailed information on the population in an area and characteristics of the people who live there. Among its clients are retailers across the country.

Unlike in Western or Northeastern states, an \$800,000 home in Arkansas is rare. Less than 1 percent of the homes owned in Arkansas are valued at more than \$775,000, Martin said. The firm's proprietary database didn't offer a value of \$800,000, so \$775,000 was the closest value that could be used, Martin said.

Economists were questioned about the potential impact of the credits.

The tax credit isn't likely to create a multitude of home sales, said Kathy Deck, director of the Center for Business and Economic Research at the University of Arkansas in Fayetteville.

"A lot of people who will take advantage of it are people who would have bought a new house anyway," Deck said.

On the other hand, Michael Pakko, state economic forecaster and chief economist at the Institute for Economic Advancement at the University of Arkansas at Little Rock, said that he expects the \$6,500 tax credit will cause some people to purchase a house who wouldn't otherwise have done so.

But the tax credit isn't so significant that people will buy a house just to get it, Deck said. A tax credit of \$6,500 would not cover the closing costs for a \$145,000 house, the average sales price for a home in Arkansas in August.

"Nobody wants to spit at \$6,500," Deck said. "We'd all take it with no strings attached. It's designed to make you look. If you've owned your home for five years and you'd been thinking about getting another house, this \$6,500 may be enough to make you peruse [a real estate firm's] Web site."

The message is that the national housing market is not stable enough without tax credits to turn around on

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its own, Deck said. The tax credits are only "delaying the day when the [housing] market will have to survive without them," Deck said.

It is only a temporary shifting of demand in the market, Pakko said.

Pat Harris, president of Harris McHaney Realtors in Rogers, said the tax credit for existing homeowners will have a positive impact on the market in Arkansas.

He pointed out that the average length of time a home remains on the market in Northwest Arkansas is about 160 days, which, starting now, would run into April. So someone who wants to take advantage of the \$6,500 credit would have to begin the process quickly, Harris said.

"If I want to sell my house, I need to list it right now," Harris said. "I won't have the luxury of waiting until after the first of the year or until springtime, because the program ends."

The homebuyers' tax credits one of two tax breaks totaling more than \$21 billion that were included in a bill extending unemployment benefits for those without a job for more than a year. The other would let companies now losing money recoup taxes they paid on profits earned in the previous five years.

It is an expensive way to prop up the housing market, Pakko said.

The extension of the \$8,000 first-time tax credit will not have the same impact as the original provision that was first made available earlier this year, Deck said. That program had been scheduled to expire on Nov. 30.

"That's mostly because folks were assured there was a deadline they had to meet and so a lot of people who were both eligible and in a financially reasonable place to take advantage of it have already taken advantage of it," Deck said.

Information for this article was contributed by Stephen Ohlemacher of The Associated Press.

Front Section, Pages 1 on 11/10/2009

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