

Economic Stimulus Package – Investment Provisions

In February of this year, President Obama signed H.R. 1, the “American Recovery and Reinvestment Act of 2009.” The bill includes \$787 billion in spending and tax cuts. Commercial real estate is supported through provisions focusing on green building and energy efficiency, as well as business tax incentives. The bill provides significant funds for state energy programs, which could be used to support commercial property owners’ investment in energy-efficiency upgrades and alternative energy systems. Below are highlights of the investment provisions of particular interest to the commercial real estate industry.

- **COMMERCE:** \$4.7 billion for the Broadband Technology Opportunities Program (BTOP) to accelerate broadband deployment in underserved areas and \$650 million for additional implementation and administration of the digital TV convertor box coupon program.

- **GREEN BUILDINGS AND ENERGY EFFICIENCY:** \$6.3 billion for energy efficiency grant programs, including \$3.2 billion for the energy and conservation block grants administered by the Department of Energy (DOE) and \$3.1 billion for the State Energy Program (SEP). Commercial property owners seeking funds or tax breaks to offset the cost of energy-efficiency upgrades will need to apply through city and state government programs, which will receive funds under the stimulus bill.

- **ENVIRONMENT:** \$200 million in competitive grants for the cleanup of leaking underground storage tanks and \$100 million in competitive grants for Brownfields clean-up. Additionally, the bill provides a total of \$6 billion for both the Clean Water State Revolving Funds (CWSRF) and Drinking Water State Revolving Funds (DWSRF).

- **HOUSING:** \$4 billion for the Public Housing Capital Fund which will assist public housing authorities in rehabilitating and retrofitting public housing units, including increasing the energy efficiency of units and making critical safety repairs. For those who manage affordable or assisted housing, the bill provides \$2.25 billion for rental assistance and grants or loans for energy and green retrofit investments.

- **RURAL DEVELOPMENT:** \$1.38 billion additional funding for the rural utilities service loans and grants for water and waste disposal facilities. It also provides \$130 million additional funding for loans and grants for essential rural community facilities, including hospitals, health clinics, health and safety vehicles and equipment, public building, and child and elder care facilities.

- **TRANSPORTATION:** \$48 billion for transportation-related infrastructure projects, including highway and bridge construction, transit new construction, upgrades and repairs, and high-speed rail corridors.

Tax Provisions

In addition to the investments listed above, H.R. 1 provides a number of tax incentives for individuals, businesses and energy improvements.

- **INDIVIDUALS:** More than 26 million families will receive tax relief in 2009, with the extension of the Alternative Minimum Tax (AMT) relief for nonrefundable personal credits and the increase of the AMT exemption amount to \$70,950 for joint filers and \$46,700 for individuals.

- **BUSINESSES:** A 5-year carry-back on net operating losses for small businesses, an extension of increased small business expensing, a small business capital gains tax exclusion, an extension of the bonus depreciation period, tax relief for businesses that reacquire, satisfy or otherwise discharge debt obligations at a discount in

2009 and 2010, and a temporary reduction period for S Corporation built-in gains.

- **ENERGY IMPROVEMENTS:** A 3-year extension for the period during which qualified facilities producing certain renewable electricity may be placed in service for purposes of the electricity production credit. Additionally, \$1.6 billion in new, clean renewable energy bonds (CREBs) may be issued by qualified issuers (public power providers, cooperative electric companies, etc.) to finance qualified renewable energy facilities. Finally, the credit cap applicable to qualified small wind energy properties is eliminated, as is the rule reducing the basis of the property for purposes of claiming the credit if the property is financed in whole or in part by subsidized energy financing or with proceeds from private activity bonds.



The federal government has created a Web site, www.recovery.gov, to provide information about federal grant awards and contracts as well as formula grant allocations under H.R. 1.

TREASURY DEPARTMENT'S FINANCIAL STABILITY PLAN

Separate from the stimulus package, the Treasury Department recently announced a multi-pronged program intended to help lay the groundwork for restoring the flows of credit to households and businesses. The major components of the plan include:

- A Public Private Investment Fund, jointly run by the Treasury and the Federal Reserve, with financing from private investors, to buy up hard-to-sell assets that have bogged down banks and financial institutions for the past year. Treasury Secretary Geithner said the new fund, often described as a “bad bank” for holding toxic assets, would start with \$500 billion with a goal of eventually buying up to \$1 trillion in assets.
- Expanding the existing Term Asset-Backed Securities Lending Facility (TALF) from \$200 billion to as much as \$1 trillion in order to restart the securitized credit markets that in recent years supported a substantial portion of lending to households, students, small businesses and others. *TALF would also expand to include commercial mortgage-backed securities (CMBS).*
- Direct capital injections into banks, using funds from the remaining \$350 billion from the Troubled Asset Relief Program (TARP).
- An extension of the FDIC’s Temporary Liquidity Guarantee Program (TLGP) to October 31, 2009. This program is intended to provide more liquidity to banks and financial institutions.
- A new framework of governance and oversight to help ensure banks receiving funds are held responsible for appropriate use of those funds through stronger conditions on lending, dividends and executive compensation, along with enhanced reporting to the public.



DTV Delay Act

On February 11, 2009, President Obama signed the DTV Delay Act into law, officially postponing the date for digital television transition to June 12, 2009. Under federal law, American television stations must end their analog broadcasts and begin broadcasting exclusively in a digital format by this date. Any consumers who receive free, over-the-air television programming in their homes could lose reception unless they upgrade by purchasing a converter box, purchasing a new television with a digital tuner, or subscribing to a paid television service. The government is providing \$40 coupons for certified converter boxes. Go to www.dtv2009.gov for more information.

State Budget Shortfalls

The biggest issue facing state legislatures in 2009 is budget gaps. According to a report by the National Conference of State Legislatures (NCSL), nearly two-thirds of states are facing budget shortfalls nearing \$50 billion for fiscal year 2009. Due to the struggling economy, states are seeing a decrease in revenue from capital gains, income and sales taxes. As a result, many states are considering wide-sweeping spending cuts on Medicaid, education and corrections programs. Additionally, commercial real estate professionals need to be aware of state financial situations, because when state revenues decrease, state legislators and governors propose new taxes and fees.

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