Federal Homebuyer Tax Credits
Their Cost and Impact on the Housing Recovery

The housing and financial crisis of 2008 led to a number of federal legislative efforts to promote housing demand through homebuyer tax credits:

- **Housing and Economic Recovery Act (HERA)**
  - Time range: 4/8/2008 to 12/31/2008
  - Max. purchase price: NONE
  - Maximum credit amount: $7,500 THOUSAND
  - Projected cost: $4.9 BILLION
  - Repayment required?: YES

- **American Recovery and Reinvestment Act (ARRA)**
  - Time range: 1/1/2009 to 11/30/2009
  - Max. purchase price: NONE
  - Maximum credit amount: $8.0 THOUSAND
  - Projected cost: $6.5 BILLION
  - Repayment required?: NO

- **Worker, Homeownership and Business Assistance Act (WHBAA)**
  - Time range: 11/7/2009 to 9/30/2010
  - Maximum credit amount: $8.0 THOUSAND (first-time), $6.5 THOUSAND (repeat)
  - Max. purchase price: $800 THOUSAND
  - Projected cost: $10.8 BILLION
  - Repayment required?: NO

The HERA homebuyer tax credit, which essentially amounted to an interest-free loan, did little to stop the rapid deterioration of the housing market.

The more generous ARRA and WHBAA homebuyer tax credits coincided with a stabilization of the market, although there were many other policy and economic developments that likely contributed to this shift.

Our results suggest that the ARRA and WHBAA homebuyer tax credits provided a modest boost to home sales and home prices while they were available, with some of the changes partially reversed after the expiration of the credits.

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