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North Carolina News:

House Budget Update

The NC House is still in the process of developing its budget. The Senate has already passed its version of the budget and its Finance Committee is evaluating a finance package which includes some significant changes to our state tax structure and would raise over \$1.2 billion over the next two fiscal years.

House Democrats appear to have a different idea - spending cuts rather than tax increases. House leaders are working on a budget that would spend less money than the Senate's plan or the Governor's proposed budget. Draft proposals by the House are reducing state agency and department budgets by 10-20 percent annually for each of the next two years. Additionally, they are considering proposals to reduce education costs, including cutting the number of school days and increasing classroom size.

Some skeptical analysts are opining that the House's strategy may be to adopt significant cuts in government services and then determine whether the groundswell of opposition to the cuts is enough to bolster support for tax increases.

Energy Efficiency Incentives

This session there have been several bills which would provide incentives and tax credits for the construction of structures that meet energy conservation and efficiency standards. **SB 52 (Various Localities Energy Dev. Incentives)**, <http://www.ncleg.net/Sessions/2009/Bills/Senate/PDF/S52v5.pdf>, introduced by **Sen. R.C. Soles (D-Brunswick)**, allows local governments to provide development incentives for construction that incorporates energy efficiency measures or components. This bill passed the Senate as a local bill, but was changed to a statewide bill in the House and passed the full House this week. Due to the change in the bill, it will be returned to the Senate for a confirmation vote next week and should be confirmed without controversy.

Additionally, four House bills were combined and rolled into one bill this week. The concepts from these bills were different but relate to the same goal – promoting energy efficient residential development. The combined bills and concepts to be included in the complete bill are as follows:

- **HB 284 (Extend Renewable Energy Credit Sunset)**, <http://www.ncleg.net/Sessions/2009/Bills/House/PDF/H284v1.pdf>, introduced by **Rep. Kelly Alexander (D-Mecklenburg)**, which seeks to extend from 2011 to 2016 the existing credit for investing in renewable energy property;
- **HB 372 (Renewable Energy and Energy Efficiency Credit)**, <http://www.ncleg.net/Sessions/2009/Bills/House/PDF/H372v1.pdf>, introduced by **Reps. Hugh Holliman (D-Davidson), Pricey Harrison (D-Guilford), Paul Luebke (D-Durham) and Ruth**

Samuelson (R-Mecklenburg), would extend the sunset for the renewable energy tax credit to match the federal tax credit, would encourage the installation of combined heat and power property and geothermal heat pumps and would allow the tax credits to be taken against the gross premium tax;

- **HB 504 (Tax Credit for Energy-Efficient Homes)**, <http://www.ncleg.net/Sessions/2009/Bills/House/PDF/H504v1.pdf>, introduced by **Reps. Susan Fisher (D-Buncombe), Pricey Harrison (D-Guilford), Bruce Goforth (D-Buncombe) and Ruth Samuelson (R-Mecklenburg)**, provides an income tax credit for builders who build energy efficient homes; and
- **HB 512 (Incentives for Energy Conservation)**, <http://www.ncleg.net/Sessions/2009/Bills/House/PDF/H512v1.pdf>, introduced by **Reps. Hugh Holliman (D-Davidson), Pricey Harrison (D-Guilford), and Paul Luebke (D-Durham)**, which would create incentives for building high-performance homes, require reporting on energy usage by public schools and state institutions of higher learning, and add the design principles of the NC HEALTHYBUILT HOMES program to the certification or rating systems that may qualify for building permit fee reductions or partial rebates allowed by counties and cities in order to encourage construction of buildings using sustainable design to achieve energy efficiency.

The combined bill, **HB 512 (Incentives for Energy Conservation)**, is expected to be discussed and voted on in the House Committee on Energy and Energy Efficiency next week.

National News:

Tax Credit Bridge Loans Get Okay

The government has given the green light to the financing of bridge loans of up to \$8,000 to first-time homebuyers who qualify for tax credits under the Obama administration's economic stimulus plan. The new mortgagee letter stipulates that government agencies, nonprofits and FHA-approved lenders can give advances on the tax credits.

It's anticipated that the money (if granted) would finance some of the closing costs for first-time homebuyers. The bridge loan will actually be recorded as a second lien. Also, consumers cannot receive cash back from the loan. The government notes, "The tax credit advance second mortgage must not provide for a balloon payment before 10 years."

The federal tax credit is for \$8,000 or 10% of the purchase price of the home - whichever is smaller. It expires later this year.

The mortgagee letter notes, "A phase-out of the credit begins when the taxpayer's modified adjusted income exceeds \$75,000 or \$150,000 if married filing jointly, and is eliminated at \$95,000 or \$170,000 if married filing jointly."