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The Money Game

The Homebuyer Tax Credit Will Cost Taxpayers Over \$100,000 For Every Home Sold

Tags: Housing, Housing Crisis, Real Estate, Calculated Risk

First a quote from a Bloomberg story: [U.S. Economy: Pending Sales of Existing Homes Decline](#)

“When you take away all the support from the housing market, the underlying demand for housing is a lot weaker than we thought,” said Mark Vitner, a senior economist at Wells Fargo Securities LLC in Charlotte, North Carolina. “We clearly pushed some demand forward, and there wasn’t that much demand to pull forward anyway. The housing recovery is going to be very, very slow.”

This is no surprise and suggests that the extension and expansion of the home buyer tax credit will probably cost taxpayers over \$100,000 for each additional home sold.

Just about every economist opposed the tax credit as expensive and ineffective. Here are some quotes from a [post](#) last September from an article by Patrick Coolican in the Las Vegas Sun: [Economists say extending tax credit for first-time homebuyers is bad policy](#)

It’s terrible policy,” says Mark Calabria of the libertarian Cato Institute.

“It’s awful policy,” says Andrew Jakabovics, associate director for housing and economics at the liberal Center for American Progress. “It’s incredibly expensive. It’s not well targeted.”

...

“We paid \$8,000 to at least 1.5 million people to do something they were going to do anyway,” Jakabovics says.

...

“A heck of a lot of people would have bought the house anyway,” says Ted Gayer, an economist at the Brookings Institution.

...

The tax break, due to expire at the end of November, is on track to cost \$15 billion, twice what Congress had planned. In other words, it will cost \$43,000 for every new homebuyer who would not have bought a house without the tax break.

Gayer also questions whether moving people from renting to owning is really all that useful ...

The tax credit is one, albeit very expensive, way to create more households, but rental vouchers to get people out of their parents’ basements should also be considered, economists say.

The only good news is the tax credit supporters have promised "[practically in blood](#)" that they will not ask for another extension.

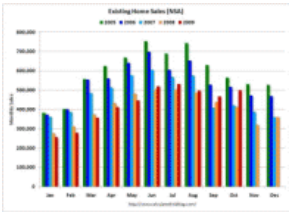


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