

Resolution No. 1

Date: September 5, 1996

City: Orlando, Florida

NAHB Resolution

Title: Legislation to Allow the Deductibility of Contributions to Loss Reserves by New Home Builders
Original Sponsor: HBA of Metropolitan Dallas

WHEREAS, the ongoing liability as mandated in numerous state statutes requires the builders of new homes to “warrant” various elements of a new home for up to 10 years;

WHEREAS, the liability that is incurred by the new home builder begins when the sale closes and is undefined until such time as a home buyer should choose to file for a remedy;

WHEREAS, the new home builder, utilizing sound business principles, should plan for future occurrences by creating loss reserves similar to those used by insurance companies; and

WHEREAS, the Tax Code, as applied by the Internal Revenue Service, does not allow for the contribution to a loss reserve to be considered as a tax deductible event,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge Congress to pass legislation to allow builders to deduct reserves established for future warranty losses.

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| Board of Directors Action: | Approved |
| Joint Executive/Resolutions Committee Action: | Recommends Approval |
| Resolutions Committee Action: | Recommends Approval |
| Federal Governmental Affairs Committee Action: | Recommends Approval |
| Taxation Subcommittee of the Federal Governmental Affairs Committee Action: | Recommends Approval |