



# Today's Contractor

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## Congress Seeks to Jumpstart Housing Market with New Legislation

In recent months, Congress has sought to stabilize and inject new life into the struggling housing market with the passage of two new laws: the Housing and Economic Recovery Act of 2008 and the Emergency Economic Stabilization Act of 2008.

Signed into law on July 30, Congress passed the Housing and Economic Recovery Act of 2008, which was designed to provide relief to homeowners struggling to avoid foreclosure, prevent the possible collapse of mortgage giants Fannie Mae and

Freddie Mac, and jumpstart the ailing real estate market by offering tax incentives to homeowners and certain homebuyers.

Among those who stand to benefit most from the new law are first-time homebuyers. Provided they have had no “ownership interests” in a principal residence during the past three years, buyers who purchase a home between April 9, 2008 and June 30, 2009 may claim a tax credit equal to 10% of the purchase price, up to \$7,500. The credit must, however, be paid back in equal installments, interest-free, over 15 years. If the homebuyer sells the home during this period, the entire outstanding amount owed on the credit becomes due, though only up to the gain realized in the sale. If the homeowner dies during this period, the debt is cancelled. Eligibility for the first-time buyer credit starts to phase out for single filers with adjusted gross incomes (AGIs) of \$75,000 and for married couples filing jointly with AGIs of \$150,000. Single filers with incomes above \$95,000 and joint filers with AGIs over \$170,000 can no longer claim the credit.

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Under the Housing and Economic Recovery Act, the limit on the size of the mortgage loans that can be purchased by government-sponsored enterprises (GSEs) Fannie Mae or Freddie Mac is raised to \$625,500, or up to 115% of the local median purchase price. At the same time, the law grants the U.S. Treasury Department the authority to ensure the financial stability of GSEs by extending credit to these companies, as needed. In response to ongoing concerns about the ability of GSEs to raise capital and manage debt, U.S. Treasury Secretary Henry Paulson announced on September 7, 2008 that Fannie Mae and Freddie Mac were being placed under the conservatorship of the Federal Housing Finance Agency (FHFA), a regulatory agency created by the Housing and Economic Recovery Act.

To further assist those in danger of losing their homes, the new law creates a program that will allow some homeowners to trade in their current mortgage for a fixed-rate loan worth no more than 90% of their home's current value. The new loans, which will be supplied by FHA-approved lenders only, will be insured by the Federal Housing Administration (FHA). To qualify for the program, the troubled mortgage must be on a primary residence and must have been taken out before January 1, 2008. In addition, distressed borrowers will be required to demonstrate that their income-to-mortgage debt ratio was greater than 31% as of March 1, 2008. Those who participate in the program will be required to pay a 1.5% insurance premium to the FHA, and borrowers will be required to share no less than half of their new equity and appreciation with the FHA when the home is sold.

For 2008 only, the legislation provides an additional tax deduction to homeowners who take the standard deduction on their federal taxes instead of itemizing. The legislation also contains new rules designed to curb abuses in the reverse mortgage market and restrict the ability of lenders to foreclose on the homes or raise the mortgage interest rates of military veterans who have recently returned from active duty. Finally, taxpayers who

have a second home that later becomes their primary residence will be permitted to exclude a smaller percentage of the gain if the property is sold within a certain timeframe.

In additional efforts to stimulate growth in the housing market, Congress passed the Emergency Economic Stabilization Act of 2008, signed into law on October 3. While the main focus of the law was to ease the credit crunch threatening to bankrupt U.S. financial institutions by allowing the government to make direct purchases of troubled assets or to acquire them through auctions, tax incentives were also added to help average Americans facing recession.

Among the provisions affecting homeowners, the Emergency Economic Stabilization Act extends through 2012 special federal income tax relief for struggling homeowners provided by the Mortgage Forgiveness Debt Relief Act of 2007. While cancelled debt is normally considered taxable income, homeowners whose mortgage debt on a principal residence was partly or entirely discharged, generally due to foreclosure or refinancing, are permitted to exclude debt forgiven on their principal residence, provided the balance of the loan was less than \$2 million, or \$1 million for married persons filing separately.

Also, the Emergency Economic Stabilization Act extended a number of tax deductions for energy efficiency. Among them, the deduction for energy-efficient commercial buildings is extended through the end of 2013, and the credit for residential energy efficiency investments is extended through the end of 2016. The residential credit is worth up to \$500 for the purchase of qualifying energy efficiency improvements or property, such as insulation or multi-paned windows.

The housing market has been greatly affected by the recent downturn in the economy. With the passage of these new laws, Congress hopes to create new opportunities for homeowners and thus, stabilize the conditions of the housing market.

## Wellness Programs Promote a Healthy Bottom Line

As the cost of providing health care benefits to workers continues to escalate, many employers are establishing workplace wellness programs designed to encourage employees to stop smoking, maintain a healthy weight, exercise, see their doctors, and otherwise take care of their health. Even smaller contractors can implement wellness programs that can help to reduce health care costs and absenteeism, as well as improve the fitness, productivity, and morale of workers.

Before launching a workplace wellness program, consider the needs of your employees. Are some workers in sedentary jobs, where a lack of physical activity is a potential source of ill health? Are others mainly performing heavy physical jobs, where injury and strain are possible? Are significant numbers of employees overweight or obese? Do they smoke? Is there a high prevalence of chronic illness, such as diabetes or hypertension? What types of illnesses and injuries have led to large health and disability insurance claims and prolonged absences in the past? A review of these issues can help you identify any patterns that demand special attention.

Here are some examples of initiatives that may enhance the health and wellness of your workforce:

**Encourage regular check-ups.** If you do not require your employees to have yearly physicals, you may want to introduce incentives that will encourage them to see their primary care physicians on a regular basis. Supply your employees with a list of tests that should be conducted at certain ages and at certain intervals, such as cancer screenings. Sometimes, small incentives, such as gift certificates, coupled with frequent reminders, can be enough to encourage workers to obtain regular preventive care.

**Arrange lunchtime wellness and safety clinics.** While information alone may not change people's habits, a clinic addressing blood pressure, injury prevention, addiction, smoking, weight control, or nutrition can raise awareness and provide tips for employees to minimize their risks.

**Partner with a local fitness center.** Even if your employees have physical jobs, chances are they would benefit from a structured exercise program that strengthens their muscles and builds their endurance. It is generally easy and inexpensive to obtain a corporate account at a local fitness center that allows your employees to sign up for membership at a reduced rate. The center may even offer discounts on classes or sessions with personal trainers.

**Strive to improve eating habits.** If your company has an on-site cafeteria, invite a nutritionist to assess the quality of the food. In addition to offering more fruits and vegetables, consider serving dishes that are lower in fat and higher in fiber. If you do not have a cafeteria, it may be possible to have healthy meals or sandwiches delivered by a local deli or restaurant. You can also replace candy bars and sodas in vending machines with healthier alternatives, such as fruit juices and trail mix.

**Support employees with special concerns.** If particular workers live with chronic illnesses, such as diabetes or hypertension, or are experiencing high-risk pregnancies, encourage them to enroll in symptom management programs offered by local health care providers. While there may be a cost associated with these programs, participation can reduce the likelihood of more serious complications in the future.

**Take action to manage stress.** Nearly all employees experience some level of stress on the job, but the recent trend toward greater efficiency among American businesses has added to the burdens of many workers. Because each working environment is different, there is no one-size-fits-all approach to reducing stress in a particular workplace or for an individual employee. To find out if stress is a problem in your organization, conduct interviews with a range of employees. Once you have identified the primary sources of stress, appoint a group of employees to develop ways to minimize pressures on individuals, while still maintaining a productive and efficient working environment.

## Maintain Equipment to Maximize Efficiency

Tougher emission standards, rising fuel prices, and a declining economy are driving contractors and construction fleet managers to keep heavy equipment in good repair in order to maximize efficiency.

One way to improve the efficiency of equipment is to ensure that it is being used properly. Manufacturers of construction equipment often provide detailed advice on how best to operate the machinery so that it functions smoothly and efficiently. For each piece of equipment, check the operator's manual and the manufacturer's website for information on how the machine can be used to achieve optimal productivity.

Fleet managers and operators may overlook obvious methods for improving the fuel efficiency of vehicles and machines, including monitoring tire pressure, following a preventive maintenance

schedule, removing excess weight, using bed covers on trucks, and not allowing equipment or vehicles to idle unnecessarily. On track machines, proper maintenance of the undercarriage, through regular cleaning and adjustments, can make a big difference in efficiency and longevity.

When purchasing new or used vehicles or machinery, it is important to consider weight, tire quality, aerodynamics, power generation, powertrain efficiency, and fuel type. Depending upon the types of alternative fuels available in your area, you may consider purchasing equipment that is powered by natural gas, biofuels, electricity, or propane gas.

No matter how busy you are, take time to properly inspect and maintain your equipment. Being proactive can save both time and money, allowing you to maximize your efficiency to get the job done.

## construction trend data

Continued weakness in the residential construction sector, combined with declines in the public works and electric utility categories, led to a decrease in new construction starts of 3% between July and August. Total construction starts for the first eight months of 2008 amounted to \$387.4 billion, down 15% from \$455.1 billion during the same period of 2007.

Residential building was down 12% in August from the previous month. Nonresidential building was up 17% in August, due in part to the start of a steel processing facility in Alabama and of a casino and convention center in the Catskills. Hotel starts were up during the first eight months of 2008, but other commercial categories, including warehouses, stores, and offices, showed both month-to-month and year-to-date declines. Mean-

while, nonbuilding construction was down 20% in August, following a 27% rise in July, with contractions seen in the electric utility, gas systems, and environmental public works categories.

New construction starts by region for the first eight months of 2008 were as follows: Midwest, down 11%; Northeast, up 1%; West, down 25%; South Central, unchanged year-on-year; and South Atlantic, down 27%.

### Year-to-Date Construction Contract Value Unadjusted Totals, In Millions

	8 Mos. 2008	8 Mos. 2007	% Change
Nonresidential Building	\$169,153	\$161,852	+15
Residential Building	119,868	194,670	-38
Nonbuilding Construction	<u>98,337</u>	<u>98,603</u>	<u>0</u>
Total Construction	\$387,358	\$455,125	-15