

**Athena Wicks**  
First Home Ownership Inquiry  
Fax: (03) 9653 2305

Dear Athena,

**RE: First Home Ownership Inquiry**

My name is Dr Rodney Stewart, A lecturer at Griffith University in Queensland. As a potential first homebuyer who has been priced out of the market, I would like to provide some recommendations on how to manage the current housing 'bubble' and bring back some affordability to the middle-income earners of this country.

- **Reduce the negative gearing limit on investment properties to 30%:** Investors are typically, so-called, high income earners (\$60,000 +) who are in the top tax rates and thus are not as concerned about low returns (p/e ratios) on their assets, because, the tax benefits provide a large percentage (48%) of the repayments. However, potential first homeowners (even the middle to higher income ones) do not have the benefit of tax deductability on excessive mortgage repayments, thus making this mortgage load too excessive, and pricing them out of the market. Although it may be argued that first home owners have the benefit of tax-free capital gains on their homes, this benefit will never be available to first home buyers if they never enter the market or enter the market at inflated prices.
- **Allow one-income families with young children (0-4 years) to split their incomes:** another issue that is preventing new families from entering the property market and delaying the decision to be fertile is the cost of housing and the excessive tax on single-income families. Single income middle-class families with newborn children on one income of \$50,000 could not dream of affording a home in the present environment. Ironically, it is the young adults of today and the children they have, or lack of, who will ultimately support the current investors in the market. To reduce the tax burdon on new families, with a child less than four years in age, they should be able to split their incomes (i.e. \$25,000 per person for the example). This would provide young families with greater after-tax income to service mortgage debts.
- **Remove stamp-duty and other taxes on homes for first home buyers:** First home buyers should not be required to pay the excessive taxes on new and existing homes.
- **Increase interest rates to a neutral position:** Interest rates should be increased to a neutral position where investment properties become less attractive.
- **Allow homeowners to reduce mortgage payments from their incomes:** Homeowners should be given the opportunity to reduce their incomes by the interest component of their home repayments. If this concept was introduced, there should also be a tax regime designed when selling properties. This concept should reduce the level of property speculating.

Regards  
Dr Rodney Stewart