

Expanded Home Buyer Tax Credits At A Glance

The Worker, Homeownership, and Business Assistance Act of 2009 was signed into law on November 6, 2009. The new legislation extends and expands the first-time homebuyer credit allowed by previous Acts.

More than 1.2 million borrowers have claimed \$8.5 billion of the \$13.6 billion set aside for the homebuyer tax credits in 2009, according to the Treasury Department. The Obama administration, in endorsing the extension, said the credit has helped stabilize the nation's housing market.

"The success of the American economy is closely tied to the success of the housing market; by helping to stabilize the housing market, the homebuyer tax credit has helped to shore up the economy as it begins to recover."

The following provides basic information about the tax credit. If you have more specific questions, we strongly encourage you to consult a qualified tax advisor or legal professional about your unique situation.

General Information:

- The credit is claimed on your federal income tax return. Specifically, home buyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on line 67 of the 1040 income tax form for 2009 returns.
- The tax credit is refundable - meaning that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically, this involves the government sending the taxpayer a check for a portion or even all of the amount of the refundable tax credit.
- It is important to note that you cannot purchase a home from, among other family members, your ancestors (parents, grandparents, etc.), your lineal descendants (children, grandchildren, etc.) or your spouse or your spouse's family members. Please consult with your tax advisor for more information. Also see IRS Form 5405.
- Members of the military who have been deployed overseas for 90 days or more in 2008 or 2009 would have until April 30, 2011, to claim the home buyer tax credit.
- Buyers must be 18 years old and must attach a HUD1 statement to their tax return to prove they actually bought a house.

\$6,500 Move-Up / Repeat Home Buyer Tax Credit

- Buyers must have owned and lived in their previous home for five consecutive years out of the last eight years.
- The tax credit does not have to be repaid (provided the home remains their principal residence for 36 months after the purchase date).
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$6,500 (or \$3,250 for married individual filing separately).
- Cost of the home may not exceed \$800,000 to be eligible.
- Available for homes purchased after November 6, 2009 and on or before April 30, 2010.
- In cases where a binding sales contract is signed by April 30, 2010, the home purchase qualifies provided it is completed by June 30, 2010.
- Individual taxpayers with modified adjusted gross income up to \$125,000 and joint filers with incomes up to \$225,000 qualify.

\$8,000 First-Time Home Buyer Tax Credit

- First-time home buyers purchasing any kind of home - new or resale - are eligible for the \$8,000 tax credit (a first-time home buyer is defined as someone who has not owned a principal residence during the three-year period prior to the purchase).
- The tax credit does not have to be repaid (provided the home remains their principal residence for 36 months after the purchase date).
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.
- Cost of the home may not exceed \$800,000 to be eligible.
- Home purchase (date when closing occurs and title to the property transfers to home owner) must occur on or after January 1, 2009 and on or before April 30, 2010.
- In cases where a binding sales contract is signed by April 30, 2010, the home purchase qualifies provided it is completed by June 30, 2010.
- Raises income limits for homes purchased **after** November 6, 2009: Individual taxpayers with modified adjusted gross income up to \$125,000 and joint filers with incomes up to \$225,000 now qualify (income limits still apply for homes purchased **prior** to November 6, 2009: \$75,000 for individual/\$150,000 for joint filers).
- For qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 return.