

HOMEBUYER TAX CREDIT OVERVIEW

The Homebuyer Tax Credit portion of the American Recovery and Reinvestment Act of 2009 provides an \$8,000 tax credit to first-time home buyers (or buyers who have not owned a private residence in the past three years) who purchase a principal residence on or after January 1, 2009 and on or before November 30, 2009. The credit does not require repayment and will be claimed on a tax return to reduce the purchaser's income tax liability. If any credit amount remains unused, then the unused amount will be refunded as a check to the purchaser.

What are the important points to know?

- The Tax credit has been raised from \$7,500 to \$8,000 or 10% of purchase price (whichever is less)
- The credit does not require repayment
- First time home buyers or buyers who have not owned a home in the last 3 years
- To qualify, a single person must make less than \$75,000 a year in income
- Joint ownership must make less than \$150,000 a year in income to qualify
- Qualified buyers must purchase home on or after January 1, 2009 and no later than November 30, 2009
- The property must be the primary residence
- Purchaser must remain in home for 3 years or the credit will be recaptured at the sale of home.

Are there restrictions for the home I want to purchase?

- The primary residence can be a condo, single family detached, co-op, townhouse or something similar
- The home must be located in the United States.
- Vacation homes and rental properties are not eligible.
- For new construction, the "purchase date" is the date you occupy the home. So the move in date must be before December 1, 2009.

Who is not eligible for the credit?

- If your income exceeds the phase-out range. This means joint filers with Modified Adjusted Gross Income (MAGI) of \$170,000 and above and other taxpayers with MAGI of \$95,000 and above.
- You may not buy your home from a close relative. This includes your spouse, parent, grandparent, child or grandchild.
- Vacation homes and rental properties are not eligible
- If you stop using your home as your main home.
- If you sell your home before the end of three years.
- If you are a nonresident alien you are not eligible

Recapture-3 Year Residency

- If the home is sold prior to three years of ownership, the tax credit must be repaid at closing.
 - o This provision is designed to prevent flipping homes in order to get the credit.

Other Provisions

- Purchasers who utilize state/local revenue bond financing can now use the credit.
- Purchasers who bought before January 1, 2009 and received the previous \$7,500 tax credit are still subject to the terms of that repayable credit.

When Can I Claim the Credit?

- It can be claimed on your 2008 Tax Return (to be filed by April 15, 2009), an amended 2008 Tax Return, or your 2009 Tax Return.

Source: National Association of REALTORS