



First Time Homebuyer Tax Credit Extended Into 2010! Plus...A New Tax Credit for Certain Existing Home Owners!

It's official. President Obama has signed a bill that extends the tax credit for first-time homebuyers (FTHBs) into the first half of 2010. This program had been scheduled to expire on November 30, 2009.

In addition to extending the tax credit of up to \$8,000 through June 30, 2010, the extension measure also opens up opportunities for others who are not buying a home for the first time.

So Who Gets What?

The program that has existed for FTHBs remains intact with the one exception that more people are now eligible based on an increase in the amount of income someone may now earn.

Additionally, the program now gives those who already own a residence some additional reasons to move to a new home. This incentive comes in the form of a tax credit of up to \$6,500 for qualified purchasers who have owned and occupied a primary residence for a period of five consecutive years during the last eight years.

Deadlines

In order to qualify for the credit, all contracts need to be in effect no later than April 30, 2010 and close no later than June 30, 2010.

Higher Income Caps in Effect

The amount of income someone can earn and qualify for the full amount of the credit has been increased.

Single tax filers who earn up to \$125,000 are eligible for the total credit amount. Those who earn more than this cap can receive a partial credit. However, single filers who earn \$145,000 and above are ineligible.

Joint filers who earn up to \$225,000 are eligible for the total credit amount. Those who earn more than this cap can receive a partial credit. However, joint filers who earn \$245,000 and above are ineligible.

Maximum Purchase Price

Qualifying buyers may purchase a property with a maximum sales price of \$800,000.

First-Time Homebuyer Tax Credit – Frequently Asked Questions

Here are answers to some commonly asked questions about the tax credit.

What is a tax credit?

A tax credit is a direct reduction in tax liability owed by an individual to the Internal Revenue Service (IRS). In the event no taxes are owed, the IRS will issue a check for the amount of the tax credit an individual is owed. Unlike the tax credit that existed in 2008, this credit does not require repayment unless the home, at any time in the first 36 months of ownership, is no longer an individual's primary residence.

What is the tax credit for first-time homebuyers (FTHBs)?

An eligible homebuyer may request from the IRS a tax credit of up to \$8,000 or 10% of the purchase price for a home. If the amount of the home purchased is \$75,000, the maximum amount the credit can be is \$7,500. If the amount of the home purchased is \$100,000, the amount of the credit may not exceed \$8,000.

Who is eligible for the FTHB tax credit?

Anyone who has not owned a primary residence in the previous 36 months, prior to closing and the transfer of title, is eligible. This applies both to single taxpayers and married couples. In the case where there is a married couple, if either spouse has owned a primary residence in the last 36 months, neither would qualify. In the case where an individual has owned property that has not been a primary residence, such as a second home or investment property, that individual would be eligible.

As mentioned above, the tax credit has been expanded so that existing homeowners who have owned and occupied a primary residence for a period of five consecutive years during the last eight years are now eligible for a tax credit of up to \$6,500.

How do I claim the credit?

For those taking advantage of the tax credit in 2009, you may choose to either apply for the credit with your 2009 tax return or you may apply for the credit sooner by filing an amended 2008 tax return with Form 5405 (<http://www.irs.gov/pub/irs-pdf/f5405.pdf>).

Can you claim the tax credit in advance of purchasing a property?

No. The IRS has recently begun prosecuting people who have claimed credits where a purchase had not taken place.

Can a taxpayer claim a credit if the property is purchased from a seller with seller financing and the seller retains title to the property?

Yes. In situations where the buyer purchases the property, even though the seller retains legal title, the taxpayer may file for the credit. Examples of this would include a land contract, contract for deed, etc. According to the IRS, factors that would demonstrate the ownership of the property would include: 1. the right of possession, 2. the right to obtain legal title upon full payment of the purchase price, 3. the right to construct improvements, 4. the obligation to pay property taxes, 5. the risk of loss, 6. the responsibility to insure the property and 7. the duty to maintain the property.

Are there other restrictions to taking the credit?

Yes. According to the IRS, if any of the following describe your situation, a credit would not be due.

- You buy your home from a close relative. This includes your spouse, parent, grandparent, child or grandchild.
- You do not use the home as your principal residence.
- You sell your home before the end of the year.
- You are a nonresident alien.
- You are, or were, eligible to claim the District of Columbia first-time homebuyer credit for any taxable year. (This does not apply for a home purchased in 2009.)
- Your home financing comes from tax-exempt mortgage revenue bonds. (This does not apply for a home purchased in 2009.)
- You owned a principal residence at any time during the three years prior to the date of purchase of your new home. For example, if you bought a home on July 1, 2009, you cannot take the credit for that home if you owned, or had an ownership interest in, another principal residence at any time from July 2, 2006, through July 1, 2009.

Can you buy a home from a step-relative and be eligible for the credit?

Yes. Provided the person you are buying a home from is not a direct blood relative, the purchase would be allowed.

Can parent(s) who will not live in the property cosign for a mortgage for their child and the child that is a qualifying FTTHB still be eligible for the credit?

Yes.

Can a separated spouse who has not owned a home for four years qualify for the FTTHB tax credit if the spouse has owned a property anytime in the last three years?

No. However, the spouse may be eligible for the repeat buyer credit. The best path to take in any situation regarding income taxes is to speak with a professional tax preparer or CPA.

*John Anna Smith
Mortgage Advisor
Coldwell Banker Mortgage
713-385-6063 Direct
856-917-1373 Fax*

Email:

JohnAnna.Smith@mortgagefamily.com

Website:

<http://johnannasmith.coldwellbankermortgage.com/>

