

The Homebuyer Tax Credit

As of November 2009



The Worker, Homeownership and Business Assistance Act of 2009 signed into law on November 6, 2009 has extended and enhanced the first-time homebuyer tax credit and is effective currently.

Highlights of this credit include:

- First-Time Homebuyer: A refundable credit equal to the lesser of 10% of the purchase price or \$8,000; refundable meaning the tax credit can offset your entire federal income tax liability (including Alternative Minimum Tax) with any leftover amount being refunded to you.
- Existing Homeowner: A refundable credit equal to the lesser of 10% of the purchase price or \$6,500. To qualify, you must have lived in your current home consecutively for 5 of the previous 8 years.
- The purchase price cannot exceed \$800,000.
- The tax credit is for homes purchased before May 1, 2010. If there is a written binding contract in effect before May 1, 2010, you have an additional 60 days to close (before July 1, 2010).
- Single taxpayers with income up to \$125,000 and married taxpayers with income up to \$225,000 qualify for the full amount of the credit. The credit begins to phase-out with income above those limits and is phased out completely for single taxpayers with income over \$145,000 and married taxpayers over \$245,000.
- You are considered a first-time homebuyer if you did not own a home during the 3-year period before the purchase of the home. If you are married, both you and your spouse must pass the 3-year test.
- The home you are purchasing must be in the United States and used as your primary residence. Vacation homes and rental properties do not qualify for the credit.
- You are not eligible for the credit if you are under age 18 at the time of purchase, can be claimed as a dependent by another taxpayer or if you buy the home from a close relative, for example, a spouse, parent or child.
- You will be required to repay the credit if you sell your home within 3 years of purchase.
- Special rules extend the credit an extra year for military personnel on qualified official extended duty outside of the U.S. Also, the recapture provisions are waived under certain circumstances.
- You can treat the 2009 purchase as having been made during 2008 and claim the credit on your 2008 tax return. Any 2010 purchase can be claimed on your 2009 return. You must attach documentation of the purchase to your tax return.

Key Facts/Figures:

Credit Amount – First Time Homebuyer	Lesser of 10% of purchase price or \$8,000 (\$4,000 if married filing separately)
Credit Amount – Existing Homeowner	Lesser of 10% of purchase price or \$6,500 (\$3,250 if married filing separately)
Purchase Price Limitation	\$800,000
Income Limits Phase-Out	Single \$125,000-145,000/Married \$225,000-245,000
Date of Purchase (with written binding contract)	Before 5/1/2010
Date of Closing (for purchases contracted before 5/1/2010)	Before 7/1/2010
Effective Date of New Law	11/6/2009

Please contact your tax professional for additional guidance on how this credit may affect you.