



## Overview of the Homebuyer Tax Credit Worker, Homeownership, and Business Assistance Act (WHBAA)

### Current law

- First-time homebuyers (those who have not owned a principal residence in the three years prior to the purchase date of their subsequent home) are eligible for a refundable tax credit of 10 percent of the purchase price of a principal residence up to \$8,000 for homes bought between January 1 and December 1, 2009.
- If the home is sold within three years, the taxpayer must pay back the credit (called “recapture”).
- Income limits for the current credit are \$75,000 for single filers and \$150,000 for joint filers, phasing out completely after \$95,000 for individuals and \$170,000 for couples. *Income limits are based on Modified Adjusted Gross Income (MAGI).*

### Extended and Expanded Homebuyer Tax Credit in the WHBAA

Senator Dodd worked to extend and expand the homebuyer tax credit in the following ways:

- Extends the availability of the \$8,000 first-time homebuyer credit to taxpayers who have a principal residence under a binding contract before April 30, 2010, allowing 60 days to close.
- Creates a new \$6,500 credit for move-up buyers. *Move up buyers are defined as people who have lived in their current home for 5 or more consecutive years during the 8 year period ending on the date of purchase of their subsequent principal residence.* Like the credit for first-time buyers, this credit is available to taxpayers who have principal residences under a binding contract before April 30, 2010, allowing 60 days to close.
- Raises the income limits for both the first time and move-up buyer to \$125,000 for single filers, \$225,000 for joint filers with a \$20,000 phase-out. *The \$20,000 phase-out means that no credit can be claimed by those with MAGI above \$145,000 for single filers, \$245,000 married joint filers.*
- Both the first-time and move-up credit are available for principal residences with a purchase price up to \$800,000. *Purchase price is defined as the adjusted basis of the principle residence on the date such residence is purchased.*
- Includes strong anti-fraud provisions:
  - Gives the Internal Revenue Service math error authority which they have requested when processing IRS form 5405. This would allow the IRS to correct certain errors during credit processing, and avoid the need for a post-refund, labor intensive audit.
  - Requires a copy of the settlement statement (HUD-1) which would verify the date of purchase, the residence address, and the purchase price.
  - Introduces an explicit age limitation, allowing no one under 18 to claim the credit
  - Excludes individuals who are claimed as dependents and married individuals who purchase the home from the family of their spouse from claiming the credit
- Eliminates the recapture requirement for military personnel and members of the Foreign Service and intelligence community who are forced to sell their homes within three years as a result of an official extended duty of service. In addition, these individuals have one additional year to qualify for the credit if they served for at least 90 days outside the U.S. in 2009 or 2010.
- Purchases made in 2010 can be claimed on the 2009 tax return.
- The score of \$10.8 billion over 10 years is paid for by a seven year delay of the worldwide allocation of interest rule until 2017, not stimulus funds.
- Effective after the date of enactment.
- Homebuyers who were eligible for the first-time homebuyer tax credit pre-WHBAA will be able to continue to claim the credit. Homebuyers who qualify for the credit under the expanded terms will only be able to claim the credit if they close on their home purchase after the date of enactment of this bill (the binding contract can be signed before enactment).