



Homebuyer Tax Credit Increased to \$8,000

Last week Congress passed -- and President Obama signed into law on Feb. 17, 2009 -- the American [stimulus] Recovery and Reinvestment Act of 2009.

One of the key provisions for real estate is the expansion of the homebuyer tax credit program. It's a major victory for certain homebuyers:

- 1) The program's Full benefits are available for single persons with adjusted gross income (*line 37 on line 1040 of your 2008 federal income tax return*) up to \$75,000 (or \$150,000 for married couples filing a joint return). Partial benefits are available for single persons with incomes between \$75,000 and \$95,000, and for married couples (filing jointly) with incomes between \$150,000 and \$170,000. You may take the tax credit in either 2008 or 2009. If the eligible purchaser's federal income tax liability is less than the homebuyer tax credit, the purchaser may receive a refund from IRS for the unused amount. Consult your tax advisor for full guidance.
- 2) When you hear it on the news, the program sounds as if it's for only first-time buyers. That's not true. The program benefits **first-time buyers, AND anyone who hasn't owned a home (principal residence) in the immediate three (3) previous years.**
- 3) The program has been expanded. The maximum* tax credit now is \$8,000 for eligible buyers (see #1 above) instead of last year's \$7,500 program that was enacted.

The tax credit amount is 10% of the cost of your home, up to a maximum of \$8,000. Thus, if you buy a home for \$70,000, you would be eligible for a \$7,000 tax credit. If you buy a home for \$80,000, you would be eligible for an \$8,000 tax credit. If you buy a home in excess of \$80,000, the tax credit would remain at \$8,000. *If you sell your acquired home within three (3) years after buying it (using the tax credit), you would owe the government a pay back for the tax credit taken and (if any) the amount the government refunded to you from your filed tax return. IRS will provide further guidance about how this can be accomplished.

Note 1: Buyers who use state revenue bond financing may also use the tax credit.

Note 2: You cannot buy your home from a close relative, including your spouse, parent, grandparent, child or grandchild and receive the credit.

- 4) The most important feature is that it's a true tax credit on the purchase of a new or existing home. Let's assume your tax liability for the year is \$15,000. Simply subtract (up to) \$8,000, and your ultimate tax liability would be \$7,000. Last year's program required that you repay the tax credit amount back to IRS. That's no longer the case...for homes purchased from Jan. 1 2009 through Nov. 30, 2009. If you bought in 2008, any tax credit is subject to repayment to IRS over 15 years.

The homebuyer tax credit is for owner-occupied homes in the U.S. that are used as a primary residence. Vacation homes and rental property are not included. You can have only one principal residence at a time.

This program clearly offers tax advantages to certain prospective homebuyers. Call your REALTOR® to take advantage of this federal program, which expires Nov. 30, 2009.

As noted above, you may want to consult your tax advisor -- in advance of buying a home -- to get specifics about this program that pertain to your personal situation (e.g., married filing separately, or other matters).