

Congress Extends and Expands the First-time Homebuyer Tax Credit

On November 5th, the U.S. Congress completed action on legislation to extend the existing homebuyer tax credit and expand eligibility for certain existing homeowners. President Barack Obama signed this legislation into law on November 6th.

Key Changes

- The current \$8,000 federal tax credit for first-time homebuyers is extended to April 30, 2010.
- A new tax credit for certain existing homeowners has been created. The amount of the new credit is \$6,500. To qualify, an individual must have owned and resided in a home for any 5-consecutive year period during the last 8 years prior to purchase of a new home.
- To be eligible to claim the \$8,000 credit, first-time buyers must enter into a written binding contract for purchase before May 1, 2010 and must close on the purchase before July 1, 2010.
- To be eligible to claim the \$6,500 credit buyers who have owned and resided in a home for any 5-consecutive year period during the last 8 years, must close after the date of enactment (November 6, 2009), and prior to July 1, 2010.
- The new law increases the income limitation for homebuyers who want to claim the credit. The income limit for individual taxpayers has been increased from \$75,000 to \$125,000. The income limit for joint filers increases from \$150,000 to \$225,000.
- To qualify for either credit, the price of the home being purchased cannot exceed \$800,000.
- In addition, members of the U.S. Armed Forces who have been deployed overseas will have an additional year to qualify for the credit –until April 30, 2011.

Carryover Provisions

Certain important provisions from the original tax credit remain in place. To qualify for the credit, a homebuyer must be a U.S. citizen or have permanent resident status. The income limits are calculated based on a taxpayer's modified adjusted gross income. Homebuyers retain the option to claim the credit in the previous tax year. If a homebuyer claims the credit and sells their home within three years, the credit is subject to recapture.

For More information go to: www.federalhousingtaxcredit.com

Release Date November 6, 2009

Nothing contained herein shall constitute tax advice; homebuyers should consult with their tax advisor. Tax laws are subject to change.