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Alamo Title

# Home Buyer Tax Credit

**On November 5th, the US Congress completed action on legislation to extend the existing homebuyer tax credit and expand eligibility for certain existing homeowners. President Obama signed this legislation into law on November 6th, 2009.**

## Who Qualifies ...

~ First-time home buyers with adjusted gross incomes up to \$125,000 (singles) or \$225,000 (married) can get the full \$8,000 tax credit if they purchase a primary residence before June 30, 2010 and haven't owned a home in the past three years. The credit shrinks if your income is over those levels and is not allowed once income hits \$145,000 for singles or \$275,000 for married couples.

~ Current homeowners can snag a credit of up to \$6,500 if they've lived in their primary residence for five concurrent years out of the past eight, meet the same income thresholds as first-time buyers, and purchase a primary residence before June 30, 2010.

## ... And Who Doesn't

In addition to buyers who top out the income limits, there are a few other buyers who are excluded.

~ Luxury market: You can't use the new tax credit to buy a property that costs \$800,000 or more.

~ Vacation or investment homes: You can't claim the credit to buy a second home, vacation residence, or investment.

Also worth noting: You can't take the credit if you acquired the home as a gift or inheritance or from your spouse, parents, grandparents, children, or grandchildren.

## How Long Do You Have?

The new extension actually pushes the deadline back an additional seven months. Although the credit technically expires on April 30, 2010, if you have a binding contract by that date and close by June 30, you'll still qualify. (The original credit was due to expire November 30, 2009.)

Members of the U.S. armed forces, military intelligence, or foreign service on qualified extended duty get an extra year to take either credit. And if you or your spouse has been deployed overseas for 90 days or more in 2008 or 2009, you have until April 30, 2011 to claim the tax credit.

## When Do You Get the Credit?

Glad you asked: Buyers don't actually have to wait to file their 2010 returns to get the credit. As long as you buy a home in 2010 before the program expires, you can claim the tax break on your 2009 federal tax return.

The fact that the credit is refundable means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically this involves the government sending the taxpayer a check for a portion or all of the amount of the refundable tax credit.

## Is There a Catch?

The feds don't want to be seen as helping house flippers, so if you take the credit, you will need to stay put. If you sell the home or move to a different primary residence within three years of closing, you'll then be forced to repay the tax credit.

## What if a contractor constructs a home on a lot?

Instead of buying a new home from a home builder, I hired a contractor to construct a home on a lot that I already own. Do I still qualify for the tax credit? Yes. For the purposes of the home buyer tax credit, a principal residence that is constructed by the home owner is treated by the tax code as having been "purchased" on the date the owner first occupies the house. In this situation, the date of first occupancy must be after Nov. 6, 2009 and on or before April 30, 2010 (or by June 30, 2010, provided a binding sales contract was in force by April 30, 2010).

## Advice for Buyers

If you're married and never owned a home, but your spouse owned one within the past three years, the two of you won't qualify for the \$8,000 first-time home-buyer credit. You will qualify for the \$6,500 credit for current homeowners, assuming you both meet the other requirements.

But if you want to buy a house with your child, the credit's available even if you already own a primary residence. Your child will get the credit of up to \$8,000 as long as he or she meets the other qualifications--even if you own half the property.

<http://www.federalhousingtaxcredit.com>

## AT A GLANCE

### \$8,000 First-time Home Buyer Tax Credit

- The \$8,000 tax credit is for first-time home buyers only. For the tax credit program, the IRS defines a first time home buyer as someone who has not owned a principal residence during the three-year period prior to the purchase.
- The tax credit does not have to be repaid.
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.
- The tax credit applies only to homes priced at \$800,000 or less.
- The tax credit now applies to sales occurring on or after January 1, 2009 and on or before April 30, 2010. However, in cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.
- For homes purchased on or after January 1, 2009 and on or before November 6, 2009, the income limits are \$75,000 for single taxpayers and \$150,000 for married couples filing jointly.
- For homes purchased after November 6, 2009 and on or before April 30, 2010, single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000 qualify for the full tax credit.

### The \$6,500 Move-Up / Repeat Home Buyer Tax Credit

- To be eligible to claim the tax credit, buyers must have owned and lived in their previous home for five consecutive years out of the last eight years.
- The tax credit does not have to be repaid.
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$6,500.
- The tax credit applies only to homes priced at \$800,000 or less.
- The credit is available for homes purchased after November 6, 2009 and on or before April 30, 2010. However, in cases where a binding sales contract is signed by April 30, 2010, the home purchase qualifies provided it is completed by June 30, 2010.
- Single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000 qualify for the full tax credit.