

Federal Tax Credit for Home Buyers

Source: National Association of Realtors, Government Affairs Division and About.com/TaxPlanning:US

Feature	For 2009 January 1 - November 30, 2009	For 2010 November 7, 2009 - April 30, 2010
Effective Date	Individuals will need to purchase a residence after January 1, 2009 and by November 30, 2009.	Individuals will need to purchase a residence after November 7, 2009 and before April 30, 2010. So long as a written binding contract to purchase is in effect on April 30, 2010, the purchaser will have until July 1, 2010 to close escrow.
Amount of Credit	<p>Lesser of 10% of the costs of the home up to \$8,000. (\$4,000 for married couples filing separate returns or unmarried persons who buy residence together.)</p> <p>The credit does <u>not</u> need to be paid back provided home remains purchaser's primary residence for 36 months after purchase; however, if the home is sold within three (3) years of purchase, or ceases to be the taxpayer's primary residence, the entire amount of the credit is to be repaid.</p> <p>The credit will also be disallowed if a taxpayer sells the house before the end of the same year in which the house was purchased.</p>	<p>Lesser of 10% of the costs of the home up to \$8,000 for First Time Home Buyer (\$4,000 for married couples filing separate returns or unmarried persons who buy residence together); or, lesser of 10% of the costs of the home up to \$6,500 for Current Homeowner (\$3,250 for married couples filing separate returns or unmarried persons who buy residence together).</p> <p>The credit does <u>not</u> need to be paid back provided home remains purchaser's primary residence for 36 months after purchase; however, if the home is sold within three (3) years of purchase, or ceases to be the taxpayer's primary residence, the entire amount of the credit is to be repaid.</p> <p>The credit will also be disallowed if a taxpayer sells the house before the end of the same year in which the house was purchased.</p> <p>Residency requirement is waived for active duty military personnel who move due to a military order.</p>
Eligible Property	<p>Any single family residence (including condos, co-ops, townhomes, house-boats, or mobile homes) that will be used as a principal residence.</p> <p>There is no limitation on cost of purchased home.</p>	<p>Any single family residence (including condos, co-ops, townhomes, house-boats, or mobile homes) that will be used as a principal residence.</p> <p>Purchase price not to exceed \$800,000.</p>
Refundable	Yes. Reduces (or can eliminate) income tax liability for the year of purchase. Any unused amount of tax credit refunded to purchaser when tax return is filed.	Yes. Reduces (or can eliminate) income tax liability for the year of purchase. Any unused amount of tax credit refunded to purchaser when tax return is filed.
Income Limit	The credit is phased out for individuals with modified adjusted gross income between \$75,000 and \$95,000. For married couples filing a joint return, the phase out range is \$150,000 to \$170,000. (See IRS Guidelines.)	The credit is phased out for individuals with modified adjusted gross income between \$125,000 and \$145,000. For married couples filing a joint return, the phase out range is \$225,000 to \$245,000. (See IRS Guidelines.)
Home Buyer Eligibility	<p>For the purpose of this tax credit, a First-time Home Buyer is defined as a purchaser (and purchaser's spouse) who has not owned a primary residence in the three-year period ending on the date of purchasing the home.</p> <p>Individuals may qualify for the tax credit even if they own a vacation home or rental property, as long as those properties were <u>not</u> their primary residence for at least three years preceding the purchase of their new home.</p>	<p>For the purpose of this tax credit, a First-time Home Buyer is defined as a purchaser who has not owned a primary residence in the three-year period ending on the date of purchasing the home and a Current Homeowner is defined as a purchaser who has lived in their current residence for at least five years. (Definition includes purchaser's spouse.)</p> <p>Individuals may qualify for the tax credit even if they own a vacation home or rental property, as long as those properties were <u>not</u> their primary residence for at least three years preceding the purchase of their new home (for First Time Home Buyers eligibility) or as long as the home sold or being sold <u>has</u> been used as a principal residence consecutively for five of the previous eight years (for Current Homeowner eligibility).</p> <p>Seller's Dependents ineligible to purchase Seller's property.</p>
Bond Financing	Purchasers who utilize revenue bond financing can use credit.	Purchasers who utilize revenue bond financing can use credit.
Claiming the Credit	The IRS will allow the purchaser to file an amended 2008 return to claim the credit. (See IRS Guidelines or consult your tax professional.)	The IRS will allow the purchaser to file an amended 2009 return to claim the credit. Purchaser must attach documentation of purchase to tax return. (See IRS Guidelines or consult your tax professional.)

Be sure to consult your Tax Professional or get free assistance from the IRS when filing for the First Time Homebuyer Credit to make sure you receive the full benefit for your homebuying situation!

Courtesy of...

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