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NEWS RELEASE

HOME BUYER TAX CREDIT EXTENDED AND EXPANDED

New Legislation Extends the Federal Tax Credit for First-Time Home Buyers and Expands the Incentive to Current Homeowners

For many Americans, home ownership is a key step towards achieving the American Dream. It may seem like a challenging time to enter the market; however, recently passed legislation that extends and expands the home buyer tax credit can give potential and existing homeowners just the economic break they are looking for.

On November 6, 2009, President Obama signed "The Worker, Homeownership, and Business Assistance Act of 2009," bringing that dream one step closer to reality.

To help consumers who are considering purchasing a primary residence, Coldwell Banker/First Realty has summarized the details of this new legislation and what it means for those thinking about entering the market:

- ***Eligibility: The tax credit is now available for first-time home buyers <u>and</u> select homeowners***. A first-time home buyer is defined as an individual who has not owned a principal residence during the three year period prior to the purchase. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse. For example, if you have not owned a home in the past three years but your spouse has owned a principal residence, neither you nor your spouse qualifies for the first-time home buyer tax credit. However, consumers should note that ownership of a vacation home or rental property not used as a principal residence does NOT disqualify a buyer as a first-time home buyer.

  A qualified homeowner is defined as someone who has owned and resided in a home for at least five consecutive years within the last eight.

- ***The maximum credit amount for first-time home buyers is $8,000; the maximum credit amount for current homeowners is $6,500.*** The federal tax credit amounts to 10 percent of the cost of the home, up to a maximum credit of $8,000 for first-time homebuyers and $6,500 for current homeowners. Under the new legislation, a tax credit may only be awarded on homes purchased for $800,000 or less.

  - e.g., If a home costs $60,000, the allowable credit for both a first-time homebuyer and a current homeowner would be $6,000. If a home costs between $80,000 and $800,000, then the allowable credit for a first-time homebuyer would be $8,000 and for a current homeowner, $6,500.

- **Single taxpayers with incomes up to $125,000 and married couples with a joint income up to $225,000 qualify for the full tax credit.** Individuals whose Form 1040 filing status is "single" are eligible for the tax credit if their income is no more than $125,000. Individuals who file a joint return are eligible if they have no more than $225,000 in income.

  Single taxpayers who earn between $125,000 and $145,000, and married couples who earn between $225,000 and $245,000 are eligible to receive a partial credit. Individuals with incomes greater than $145,000 (single) and $245,000 (joint return) are not eligible for this tax credit at all.

- **The credit is available for homes purchased on or after November 7, 2009 and before May 1, 2010.** The federal income credit can be claimed on one's individual or joint tax return for the purchase of any single-family home (newly-constructed or resale, single-family detached, townhomes or condominiums) between the dates of November 7, 2009 and April 30, 2010. Home purchases subject to a binding sales contract signed before May 1, 2010 will also qualify for the tax credit provided closing occurs prior to July 1, 2010.

- **The tax credit is refundable.** A refundable credit means that if the amount of income taxes a home buyer owes is less than the credit amount he / she qualifies for, the government will send a check for the difference. In essence, the credit is a dollar-for-dollar reduction in what taxpayers owe for the calendar year following the year they close on their home.

  - e.g., A first-time home buyer who qualifies for the full $8,000 tax credit and owes $5,000 in federal income taxes would owe nothing to the IRS and receive a $3,000 payment from the government. A current homeowner who qualifies for the full $6,500 tax credit and owes $5,000 would pay nothing to the IRS and receive $1,500 back from the government. If the move-up buyer is due to get a $1,000 refund, he / she would get $7,500 ($1,000 plus the $6,500 move-up buyer tax credit).

The tax credit is a true credit. It does not have to be repaid unless the homeowner sells or stops using the home as their principal residence within three years after the purchase. In that case, the full credit amount will be recouped on the sale.

This is based on information available as of November 2009 and is not meant to be tax or legal advice. As with any tax law change, consumers should check with a tax advisor regarding availability, eligibility and possible timing of any tax credit.