

# What you should know about the **EXTENDED & EXPANDED** First-Time Homebuyer Tax Credit

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**Congress and the President have extended and expanded the \$8,000 tax credit for first-buyers. You now have until April 30, 2010 to sign a contract and qualify. AND, starting November 7, many existing home owner also qualify for a credit.**

The First-Time Homebuyer Tax Credit is now available for home purchases that **go to contract** before May 1, 2010 and that **close** before July 1, 2010.

As before, the credit is equal to 10% of the cost of the home, up to a maximum credit of \$8,000. (For example, a home purchased for \$80,000 would qualify for the full credit, while a \$70,000 home would qualify for only 10%, or \$7,000.) But homes that cost more than \$800,000 are now ineligible for *any* tax credit.

This is a tax credit, which is even better than a tax deduction; it's subtracted directly from your tax liability. If the credit is more than your total tax liability this year, you will receive a refund check for the balance. (Note that a married buyer filing separately is only eligible for up to a \$4,000 credit.)

Eligible properties include anything that will be used as a principle single-family residence, including condos and townhouses.

First time homebuyers can take advantage of the full \$8,000 tax credit. A first time buyer is defined as an individual who has not owned a home in the past three years. For married joint filers, **both** must meet the first-time buyer criteria to take the credit on a joint return.

There are new income guidelines on the credit. Individuals with an adjusted gross income up to \$125,000, or \$225,000 if filing jointly, are eligible for the full tax credit. The credit is phased down for those earning more and is not available for those with incomes above \$145,000, or \$245,000 if filing jointly.



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

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 is equal to 10 percent of the home's purchase price up to a maximum of \$6,500.

The tax credit does not have to be repaid.

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.

**For Specific questions about the tax implications of the credit, please consult a tax professional.**

# Frequently Asked Questions

## Homebuyer Tax Credit Changes

**Question: Existing homeowner credit: Must the new house cost more than the old house?**

*Answer: No. Thus, for example, individuals who move from a high cost area to a lower cost area who meet all eligibility requirements will qualify for the \$6500 credit.*

**Question: I am an existing homeowner. On October 25, 2009, I signed a contract to purchase a new home. I have lived in my current home for more than 5 consecutive years and am within the new income limits. I will go to settlement on November 20. Will I qualify for the new \$6500 tax credit?**

*Answer: Yes. The existing homeowner credit goes into effect for purchases after the date of enactment (when the bill is signed). There is no reference to the date of contract for the new credit. The provision looks solely to the date of purchase, which is generally the date of settlement.*

**Question: I am a first-time homebuyer but was not within the prior income limits at the time I entered into my contract to purchase on October 30, 2009. I will be covered, however, by the new income limits. Will I be eligible for a credit?**

*Answer: Yes. The new income limitations went into effect as soon as the President has signed the bill. The income limit and other eligibility rules will look to your status as of the date of purchase, which is the settlement date. So since the new rules have been signed, you should be eligible for the credit (or a portion of the credit if you're within the phase-out range).*

**Question: I am an eligible existing homeowner. I have a fair amount of equity in my home. I have found a home with a nonnegotiable price of \$825,000. Will I be able to use any of the \$6500 tax credit?**

*Answer: No. The \$800,000 cap on the cost of the purchased home is firm at \$800,000. Any amount above \$800,000 makes the home ineligible for any portion of the credit. The \$800,000 is an absolute ceiling.*

**Question: I owned my home for 10 years, but sold it two years ago year and have been renting since. If I purchase a home, will I be eligible for the \$6500 tax credit if I meet all the other eligibility tests?**

*Answer: Yes. Because you lived in the home for more than 5 consecutive years of the previous 8, you will qualify for the \$6500 credit. For example, Say John and his wife bought a home in 2000 and lived there until 2008 when he got a divorce. Whether John has been renting or bought in the interim, he WOULD INDEED be eligible for the credit because he owned a home and occupied it as his principal residence for 5 consecutive years out of the last 8 years. The keyword here is "consecutive." As long as he lived in that house for 5 years straight what he did since doesn't impact eligibility.*

**Question: I am an eligible first-time homebuyer. I entered into a contract to purchase on November 1, 2009. Do I have to go to closing before December 1? How does the extension date affect me?**

*Answer: You do not have to close before December 1. Once the legislation was signed, it was as if the Nov 30 date had never existed. Therefore, so long as the contract settles before April 30 (or July 1, worst case), the purchaser will be eligible for the credit.*