

# Homebuyer Tax Credit Extension

"The Worker, Homeownership, and Business Assistance Act of 2009" – HR Bill 3548





## “WORKER, HOMEOWNERSHIP, AND BUSINESS ASSISTANCE ACT OF 2009”

### Home Buyer Tax Credits at a Glance

<b>ELIGIBLE BORROWERS</b>	<p><u>First-time homebuyers</u>: are defined as someone who has not owned a home in the previous three years.</p> <p><u>Repeat buyers</u>: must have owned and lived in their present home for five consecutive years out of the last eight years.</p>
<b>AMOUNT OF CREDIT</b>	<p><u>First-time homebuyers</u>: The tax credit is equal to 10% of the purchase price up to a maximum of \$8,000 (\$4,000 if married filing separately).</p> <p><u>Repeat buyers</u>: The tax credit is equal to 10% of the purchase price up to a maximum of \$6,500 (\$3,250 if married filing separately).</p>
<b>HOW TO APPLY</b>	<p>Taxpayers can claim the credit on their federal income tax returns. If the credit exceeds their tax bill, the government will issue a payment. Taxpayers who want immediate refunds can amend their tax returns for 2008 to claim the credit. Tax form: <a href="http://www.irs.gov/pub/irs-pdf/f5405.pdf">http://www.irs.gov/pub/irs-pdf/f5405.pdf</a></p>
<b>DEADLINES</b>	<p>A Binding sales contract must be signed by April 30, 2010, and closings must be final by June 30, 2010.</p>
<b>MILITARY</b>	<p>The deadline is extended by a year for members of the military who have served outside the U.S. for at least 90 days from Jan. 1, 2009, to May 1, 2010.</p>
<b>REPAYMENT</b>	<p>The tax credit does not have to be repaid.</p>
<b>INCOME LIMITATIONS</b>	<p>Individuals with annual incomes up to \$125,000 and joint filers with incomes up to \$225,000 qualify for the full credit. Individuals with incomes between \$125,001 and \$145,000 and joint filers with incomes between \$225,001 and \$245,000 qualify for reduced credits.</p>
<b>PURCHASE PRICE LIMITATIONS</b>	<p>The tax credit applies to home priced at or less than \$800,000 or less.</p>
<b>ANTI FRAUD RULE</b>	<p>Purchaser must attach a properly executed copy of the settlement statement (Hud-1) to their tax return when filing</p>

Information deemed reliable but not guaranteed

## Frequently Asked Questions – FAQ's

### WHO IS ELIGIBLE TO CLAIM THE HOME BUYER TAX CREDIT?

Qualified first-time home buyers and repeat home buyers purchasing any kind of home, as their primary residence, are eligible to claim this credit. To qualify for this credit, a binding contract must be signed on or before April 30, 2010, and closing must be final by June 30, 2010. You must be at least 18 years of age and not claimed as a dependent by any other tax filer.

### WHAT IS THE DEFINITION OF A FIRST-TIME BUYER?

The law defines “first-time home buyer” as a buyer who has not owned a principal residence for a three-year period preceding the purchase. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse.

### WHAT IS THE DEFINITION OF A REPEAT BUYER?

Repeat homebuyers must have owned and resided for at least five consecutive years of the eight years preceding the purchase date. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse.

### HOW IS THE AMOUNT OF THE TAX DETERMINED?

The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000 (\$4,000 if married filing separately) for first-time homebuyers and \$6,500 (\$3,250 if married filing separately) for repeat homebuyers.

### IS THERE A MAXIMUM HOME PURCHASE PRICE?

Yes, homes priced above \$800,000 are not eligible for the tax credit. Repeat home buyers do not have to purchase a home that is more expensive than their previous home to qualify for the tax credit.

### ARE THERE INCOME LIMITATIONS?

Yes, a single taxpayer is \$125,000; and \$225,000 for married taxpayers filing a joint return. There is a reduced tax credit or “phase-out” for single taxpayers between \$125,001 to \$145,000; and \$225,001 to \$245,000 for married. Completing IRS Form 5405 will better determine your specific tax credit.

### HOW DO I CLAIM THE HOMEBUYER TAX CREDIT?

You claim the tax credit on your federal income tax return. Specifically, home buyers should complete [IRS Form 5405](#) to determine their tax credit amount, and then claim this amount on line 67 of the 1040 income tax form for 2009 returns (line 69 of the 1040 income tax form for 2008 returns). Home buyers must attach a copy of their HUD-1 settlement form (closing statement) to Form 5405 as proof of the completed home purchase.

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### WHAT PROPERTIES ARE ELIGIBLE FOR THE TAX CREDIT?

Single-family detached homes, attached homes (townhouses and condominiums), manufactured homes and houseboats. As long as the home is used as a principal residence and purchased for less than or equal to \$800,000.

*NOTE:* You cannot purchase a home from family members, your ancestors (parents, grandparents, etc.), your lineal descendants (children, grandchildren, etc.) or your spouse or your spouse's family members.

### CAN I CLAIM THE TAX CREDIT IF I FINANCE MY UNDER A MORTGAGE REVENUE BOND?

Yes. The tax credit can be combined with an MRB home buyer program.

### IS A TAX CREDIT THE SAME AS A TAX DEDUCTION?

The tax credit is a dollar-for-dollar reduction in what the taxpayer owes. For example, if a taxpayer owes \$2,000 in income taxes and receives the first-time homebuyer credit of \$8,000, the IRS would owe \$6,000.

### CAN I CLAIM THE HOMEBUYER TAX CREDIT ON MY 2008 OR 2009 TAX RETURN?

Yes. The law allows taxpayers to choose ("elect") to treat qualified home purchases in 2009 (or 2010) as if the purchase occurred on December 31, 2008 (or if in 2010, December 31, 2009). This means that the previous year's income limit (MAGI) applies and the election accelerates when the credit can be claimed. A benefit of this election is that a home buyer in 2009 or 2010 will know their prior year MAGI with certainty, thereby helping the buyer know whether the income limits will reduce their credit amount.

Taxpayers buying a home who wish to claim it on their prior year tax return, but who have already submitted their tax return to the IRS, may file an amended return claiming the tax credit using Form 1040X. You should consult with a tax professional to determine how to arrange this.

### FOR A HOME PURCHASED IN 2009 OR 2010, CAN I CHOOSE WHETHER TO TREAT THE PURCHASE AS OCCURRING IN THE PRIOR OR PRESENT YEAR, DEPENDING ON WHICH YEAR MY CREDIT IS THE LARGEST?

Yes. If the applicable income phase-out would reduce your home buyer tax credit amount in the present year and a larger credit would be available using the prior year MAGI amounts, then you can choose the year that yields the largest credit amount.