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$8,000 TAX CREDIT EXPLAINED

As you may have heard, the legislation to extend and expand the homebuyer tax credit has passed Congress and was signed by President Obama. In addition to extending the deadline for the current $8,000 new homebuyer tax credit to April 30, 2010, an additional $6,500 credit has been introduced for existing homeowners.

KEY FEATURES OF NEW TAX CREDIT

For New Homebuyers

- Maximum $8,000 tax credit (equal to 10% of home price).
- Must purchase by April 30, 2010 and close by July 1, 2010.
- Cannot have owned a primary residence for 3 years prior to purchase (rules vary if there are multiple buyers where one has previously owned, talk to your CPA).
- Income limits of $125,000 for singles and $225,000 for married couples (credit phases out for incomes above these limits).
- Maximum home purchase price of $800,000.
- Purchases by dependents no longer allowed.
- Must attach documentation of purchase to tax return.
- Cannot claim the tax credit if you are purchasing the home from a “close” relative (as defined by the IRS, or from a business you own).
- Tax credit is not available for use as a downpayment (unless you are financing through a state housing finance agency that has a program for this).

For Existing Homeowners

- Up to $6,500
- Must purchase between November 6, 2009 and April 20, 2010, and close by July 1, 2010.
- The homeowner must have lived in their current home as a principal residence consecutively for 5 of the previous 8 years.
- Same income and home price limits as for new homebuyer tax credit.

You can find answers and some more detailed scenarios for situations with multiple borrowers at this site (they do not yet have much detail about the new $6,500 tax credit for existing homeowners):
http://www.irs.gov/newsroom/article/0,,id=187935,00.html

We always recommend speaking with your CPA or a tax professional before making a purchase decision based on the tax credit.

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