



HOME BUYER TAX CREDIT EXTENSION

As Modified in the Unemployment Insurance bill
All new/revised provisions effective as of 11/07/2009

FIRST-TIME HOME BUYERS	Up to \$8,000 in tax credits is available to first-time home buyers. Purchaser (and purchaser's spouse) may not have owned a principal residence in 3 years prior to purchase to meet first-time home buyer definition. Maximum credit amount is \$4,000 for married couples filing separate.
WHO IS A FIRST-TIME BUYER?	For this credit, a first-time buyer is considered someone who has not had any ownership interest in a home during the three years prior to purchase.
EXISTING HOMEOWNERS	Up to \$6,500 in tax credits are available to home buyers who have owned and lived in the same residence for 5 consecutive years of the last 8 years.
ELIGIBLE PROPERTY	Any single family residence (including condos, co-ops and townhouses) that will be used as the principal residence.
REFUNDABLE	Yes. Reduces (or, can eliminate) income tax liability for the year of the purchase. Any unused amount of tax credit will be refunded to the home buyer.
INCOME LIMIT	Yes. Full amount of credit available for individuals with adjusted gross income of no more than \$125,000 or joint gross income of no more than \$225,000. The credit is phased out to lower amounts for individuals and joint filers with higher gross incomes.
PURCHASE PRICE LIMITATION	The credit is available only for the purchase of principal residences with a purchase price of \$800,000 or less. The credits (first-time buyer or existing) are 10% of the purchase price, up to a maximum of \$8,000 for first-time buyers and \$6,500 for existing homeowners.
RECAPTURE	None, unless the home is sold within three years of the purchase. If the home is sold within three years of original purchase, the entire amount of credit is recaptured upon sale. Recapture provision is waived for military personnel relocating due to orders.
MILITARY PERSONNEL	Credit extended for one year after expiration date for any military personnel that is serving outside United States for at least 90 days in either 2009 or 2010.
TERMINATION	Must have a ratified contract on or before April 30, 2010 and close within 60 days of April 30, 2010.
ANTI-FRAUD MEASURE	Purchaser must attach documentation of purchase to tax return.



HOME BUYER TAX CREDIT EXTENSION Frequently Asked Questions

Source: NAR

To be eligible for the existing homeowner credit, must the new house cost more than the old house?

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 \$6,500 credit.

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. If President Obama has signed the bill by the time I go to settlement, will I qualify for the new \$6,500 tax credit?

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.

I am a first-time home buyer 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. If the new rules have been signed into law by the time I go to settlement, will I be eligible for a credit?

Yes. The new income limitations go 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 if the new rules have been signed when you go to settlement, you should be eligible for the credit (or a portion of the credit if you're within the phase-out range).

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 \$6,500 tax credit?

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.

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 \$6,500 tax credit if I meet all the other eligibility tests?

Yes. Because you lived in the home for more than 5 consecutive years of the previous 8, you will qualify for the \$6,500 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 3 years doesn't impact eligibility.

I have owned and resided in my current home for two years, but before that I owned and resided in another home for six years. Am I eligible for the existing homeowner tax credit?

*No. The legislation specifies that existing homeowners will qualify if the homeowner "has owned and used the **same** residence as such individual's principal residence for any 5-consecutive-year period during the 8-year period ending on the date of the purchase of a subsequent principal residence."*

I have owned and resided in my current home for more than five years and wish to buy a new home. If I keep my current home and rent it, would I be eligible for the existing homeowner credit for the purchase of my new home?

Yes. The rule says that you need to have occupied your current home for five consecutive years out of the past eight years. It does not specify that you must sell that home.

I am an eligible first-time home buyer. 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?

You do not have to close before December 1. Once the legislation has been signed, it will be 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.