

## Homebuyer's Tax Credit Extended and Expanded

The Worker, Homeownership and Business Assistance Act of 2009, was signed into law on Nov. 6, 2009. It extends and expands the previous 2009 first-time homebuyer credit that was to expire the end of November, 2009. How to qualify:

- Eligible taxpayer must buy, or enter into a binding contract to buy a principal residence on or before April 30, 2010 and close on the home by June 30, 2010. (To confirm this, the IRS will require proof of these dates.)
- For qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 return. (If qualifying under the previous law, the credit can be claimed on either the 2008 or 2009 return.)
- Existing homeowners who buy a replacement principal residence may also claim a homebuyer credit of up to \$6,500 (up to \$3,250 for a married individual filing separately). They must have lived in the same principal residence for any five-consecutive year period during the eight-year period that ended on the date the replacement home is purchased.
- People with higher incomes can now qualify for the credit. The new law raises the income limits for homes purchased after November 6, 2009. The credit phases out for individual taxpayers with modified adjusted gross income (MAGI) between \$125,000 and \$145,000 or between \$225,000 and \$245,000 for joint filers. The existing MAGI phase-outs of \$75,000 to \$95,000 or \$150,000 to \$170,000 for joint filers still apply to purchases on or before November 6, 2009.

Because it's a credit it reduces a taxpayer's tax bill or increases his or her refund, dollar for dollar, and is fully refundable, meaning the credit will be paid out to eligible taxpayers even if they owe no tax or the credit is more than the tax owed. More details can be found in the [latest IRS release](#).

The credit is claimed using [Form 5405](#), which you file with your original or amended tax return.

Because this law has evolved over three tax years, it is important to pay attention to the details of each home purchase. These are quick facts of the previous two laws.

### For 2008 Home Purchases

The Housing and Economic Recovery Act of 2008 established a tax credit for first-time homebuyers that can be worth up to \$7,500. [For homes purchased in 2008, the credit is similar to a no-interest loan](#) and must be repaid in 15 equal, annual installments beginning with the 2010 income tax year.

### For 2009 Home Purchases Prior to December 1, 2009

The American Recovery and Reinvestment Act of 2009 expanded the first-time homebuyer credit by [increasing the credit amount to \\$8,000](#) for purchases made in 2009 before Dec. 1. However, the new Worker, Homeownership and Business Assistance Act of 2009 has extended the deadline. Now, taxpayers who have a binding

contract to purchase a home before May 1, 2010, are eligible for the credit. Buyers must close on the home before July 1, 2010. *[Added Nov. 12, 2009]*

For home purchased in 2009, the credit does not have to be paid back unless the home ceases to be the taxpayer's main residence within a three-year period following the purchase.

First-time homebuyers who purchase a home in 2009 can claim the credit on either a 2008 tax return, due April 15, 2009, or a 2009 tax return, due April 15, 2010. The credit may not be claimed before the closing date. But, if the closing occurs after April 15, 2009, a taxpayer can still claim it on a 2008 tax return by requesting an extension of time to file or by filing an amended return. [News release 2009-27 has more information on these options.](#)

## Questions and Answers

More information is available in the [question and answer section](#).

## Related Items

- [IR-2009-83](#), First-Time Homebuyer Credit Provides Tax Benefits to 1.4 Million Families to Date
- [The American Recovery and Reinvestment Act of 2009: Information Center](#)

If you're thinking of purchasing a qualifying home, here are some tips:

- Start your house search now. Getting an early start will give you a better chance of finding the right house before the credit deadline.
- Before you start house-hunting get pre-approved for a mortgage and do a realistic assessment of what you can afford.
- Buyers who have to sell an existing home should price it aggressively from the beginning to drum up interest and get a buyer as soon as possible.
- Don't count on another extension to this credit.
- Think twice before pursuing a short sale (where the seller's price is less than what is owed on their mortgage, with permission of the lender). The process can be lengthy and unpredictable because the lender has to approve your deal. It gets more difficult if there's a second mortgage on your selected property.
- Don't make any decisions that you wouldn't normally make just to make the tax-credit deadline. Remember that you're buying a home, so be sure you have a good fit, in the right location, and that it passes a home inspection. Otherwise you may find your credit is a small return on a bad investment.

If you have any additional questions, send us an email ([Office@CPAsite.com](mailto:Office@CPAsite.com)) or give us a call (904-396-5400) and we'll help you take advantage of this beneficial offer.