

Expanded Version of Tax Credit Allows More Homebuyers to Qualify

President Obama recently signed an expanded version of the [\\$8,000 first-time homebuyer tax credit](#) that was set to expire on November 30. The new deadline for eligible purchases has been extended until April 30, 2010.

Although the tax credit remains at \$8,000 for homebuyers that have not owned a primary residence in the last three years, it has been expanded to include a \$6,500 tax credit for homebuyers that have lived in their current primary residence for at least five consecutive years out of the past eight years. Under the old rules, move-up homebuyers did not qualify.

“The new version of the tax credit has the potential to stimulate the housing market even more than the old version due to the fact that more people will qualify under the new rules,” said Gibran Nicholas, Chairman of the CMPS Institute, an organization that certifies mortgage bankers and brokers.”

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 does not have to be repaid.
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$6,500.
- Buyers claim the tax credit on their federal income tax return. Tax credits can be claimed retroactively (ie. Purchase in 2009 can be claimed on 2008 tax return). Talk to your tax professional for more information.
- Any homes that is being purchased as a primary residence will apply provided that the house is purchased at a price equal to or less than \$800,000.
- 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.

Example 1: Jane purchased a home in 2002, lived there for 5 years as her primary home, moved out in 2007, and turned that home into a rental property. If Jane decides to buy a new primary residence today, she would qualify for the \$6,500 tax credit based on the fact that she lived in the same residence as her primary home for at least five consecutive years out of the past eight.

Example 2: Harry purchased a home in 2004, and lived there for the past 5 years as his primary home. If Harry decides to buy a new primary residence today, he would qualify for the \$6,500 tax credit based on the fact that he lived in the same residence as his primary home for at least five consecutive years out of the past eight.

Example 3: Nicole purchased a home in 2006, and lived there for the past 3 years as her primary home. If Nicole decides to buy a new primary residence today, she would not qualify for the \$6,500 tax credit based on the fact that she did not live in the same residence as her primary home for at least five consecutive years out of the past eight.

There are many creative ways of structuring your home purchase transaction in ways that maximize the benefits of the credit. Here are a few examples:

- The credit applies to 1-4 unit homes as long as you live in one of the units as your primary residence – you could live in one unit and rent out the others
- If two unmarried individuals buy a home, and only one of the individuals qualifies for the credit based on their income or past home ownership status, the individual who qualifies for the credit can claim the full credit. (Note: In the case of married couples, both spouses must qualify for the credit).
- The credit applies even if you have co-signers on your mortgage loan

This information does not constitute the provision of legal advice, tax advice, accounting services, or professional investment consulting of any kind. If you have specific questions, I'd encourage you to consult a qualified tax advisor or legal professional about your exact situation.

Information gathered from various sources including <http://www.federalhousingtaxcredit.com>

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