

\$8000 First Time Home Buyer Tax Credit Extended through April 30, 2010

As part of The American Recovery and Reinvestment Act of 2009, Congress and the President originally passed a measure that authorized an \$8,000 one-time tax credit for qualified first-time home buyers who purchase a home between January 1, 2009 and November 30, 2009. The initial tax credit incentive was such a success in stimulating home sales nationwide that President Obama recently signed an extension through April 2010.

The latest version of the tax credit has been expanded to include a \$6,500 tax credit for home buyers who have lived in their current primary residence for at least five consecutive years out of the past eight. Under the old rules, 'move-up' buyers did not qualify. Read more about the [\\$6,500 move up home buyer credit](#) here.

The First Time Home Buyer portion of the tax credit legislation remained very similar to the previous version with a couple of minor tweaks including: slightly higher income limits, tightened documentation requirements and the deadline extension.

Who is eligible to claim the \$8000 tax credit?

Any first-time buyer purchasing a home of any kind whether - new or resale - is eligible for the tax credit. The home must be purchased between January 1, 2009 and April 30, 2010. However, in cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.

Who qualifies as a 'First-Time' Buyer?

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

What types of homes qualify for the tax credit?

Any home purchased by an eligible first-time buyer will qualify for the credit. The home must be used as a principal residence and the owner must not have owned a home in the previous 3 years. This includes single family homes, town homes, condos, mobile homes and houseboats.

Are there income requirements?

For sales occurring after November 6, 2009 (date of the extension) single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000 qualify for the full tax credit. A partial credit of less than \$8000 is available for some taxpayers whose modified adjusted gross income exceeds these limits. However the credit becomes completely unavailable for individual taxpayers who earn more than \$145,000 and for married taxpayers filing joint returns of more than \$245,000.

Does every home buyer receive the same credit no matter what?

Outside of income guidelines, every home buyer is eligible for up to an \$8000 credit. However, the credit is only equal to 10% of the purchase price of the home - up to \$8000. Therefore, as long as the purchase price for the house exceeds \$80,000 (almost all in the Austin area will), the purchase is eligible for the full credit.

Do I have to do anything special to claim my credit?

As long as you purchase between January 1, 2009 and April 30, 2010 – all you have to do is claim the tax credit on your federal income tax return. No other applications or forms are required. However, you may want to contact your personal tax accountant or adviser for more information.

What is the difference between a tax credit and tax deduction?

A tax *credit* is a dollar-for-dollar reduction in what the taxpayer owes. That means that if the taxpayer owes \$8000 in income taxes and receives an \$8000 tax *credit*, he/she would owe nothing to the IRS. A tax *deduction* on the other hand is subtracted from the amount of income that is taxed. Using the same example, assume the taxpayer is in the 15% bracket and owes \$8000 in income taxes. If the taxpayer receives a \$8000 *deduction*, the taxpayer's tax liability would be reduced by only \$1200 (15% of \$8000) or lowered from \$8000 to \$6800.

This tax credit is refundable. What does that mean?

That means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically this involves the government sending the taxpayer a check for a portion or even the entire amount of the refundable tax credit. The program is called a tax credit because it operates through the tax code and is administered by the IRS. For example: If a qualified home buyer has a federal income tax liability of \$5000 for the year and has a tax withholding of \$4000 for that year - then without the tax credit, the taxpayer will owe the IRS \$1000 on April 15th. Now, if the taxpayer qualifies for the \$8000 first-time buyer tax credit, the taxpayer will not have to pay that \$1000 and will receive a **check for an additional \$7000** (\$8000-\$1000). It's like a free loan.

Does the credit have to be repaid to the government?

The answer used to be yes. However, the recently passed legislation makes the entire credit forgivable. The buyer has no liability to pay back the funds. This tax incentive is a true tax credit. However, home buyers must use the residence as a principal residence for at least three years or face recapture of the tax credit amount. Certain exceptions apply.

What does all of this mean to you?

If you are currently renting or have not owned a home for more than 3 years, this means that now is a great time for you to begin looking into the possibility of purchasing a home. Property inventory levels are at all time highs which means that the local market is trending toward a 'buyer's market.' Chances are very good that this will be the final extension of the tax credit.

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 www.federalhousingtaxcredit.com

Scroll Down Further to Get Started . . .

Here's How You Can Take the Next Step . . .

If we have not already had the chance to talk, I'd suggest that we take 10-15 minutes to discuss your current situation and your future goals to determine your best path to home ownership. My business partners and I have a wealth of educational materials and free reports for your benefit.

Here are three FREE offers that you will want to take advantage of right now:

First - a **Free Home Loan Report** (www.FreeAustinHomeLoanReport.info). Did you know that choosing the wrong mortgage initially can cost you tens of thousands of dollars of extra interest over the life of the loan? Because I know that financing a home can be an intimidating task, (especially for first-time buyers) I will introduce you to one of my trusted lending partners. He or she will sit down with you and help you to evaluate the financing scenarios & options available to you. This information will help you to take advantage of the best program to suit your specific goals. Even if you are as much as six months out from purchasing, knowing up front what you can comfortably afford and/or what you may need to do to align your finances for a future purchase is invaluable.

Second – a **Free HomeFinder Property Search** (www.AustinPropertySearch.info). You can get the most up-to-date information available on all of the properties currently for sale in the area of your choice. I can set up a personal property search for you where my computer systems will search and match your exact wants and needs with ALL of the new homes that come on the market each day. This information will be sent directly to your email address as often as you would like. That way you can access up to the minute information daily. It's kind of like having the teacher's addition in Algebra class. My *HomeFinder Service* is perfect for you when you're starting to look at homes, and you want to find out about NEW listings as soon as they come on the market.

Last but not least – a **Subscription to my First Time Homebuyer Newsletter** (www.AustinFirstTimeBuyer.com). This monthly newsletter is packed full of information specific to the home buying process. From down payment information, to closing costs to inspectors, lenders & mortgage information – each issue focuses on a specific topic that is relevant to you as you start the process of purchasing a home.

These 3 valuable services are totally free. If you would like to take advantage of any of them, please give me a call @ (512) 773-3493, email me at ryan@stonehavenrealty.com, or click on any of the active links above.

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