

# EXTENDED AND EXPANDED HOME BUYER TAX CREDITS

New Rules for November 7, 2009 through April 30, 2010

BY DEBBI CONRAD

**On November 6, 2009, President Obama signed** into law an extension of the \$8,000 first-time home buyers' tax credit through April 30, 2010. First-time home buyers who purchase homes between November 7, 2009 and April 30, 2010 qualify for the extended credit if the purchaser (or his or her spouse) has not owned a residence during the three years prior to the purchase and they meet the other requirements.

While most of the rules that applied to first-time home buyers buying homes between January 1 and November 6, 2009 are expected to remain the same, there are some new tax credit eligibility rules for homes purchased after November 6, 2009. In addition, the law adds a new \$6,500 credit for long-time homeowners, that is, current homeowners who have lived in their homes for five of the last eight years, and who buy a new principal residence between November 7, 2009 and April 30, 2010.

## New \$6,500 Tax Credit for Current Homeowners Buying a New Home

Current homeowners purchasing a home between November 7, 2009 and April 30, 2010 qualify for the extended credit if they can meet the other requirements:

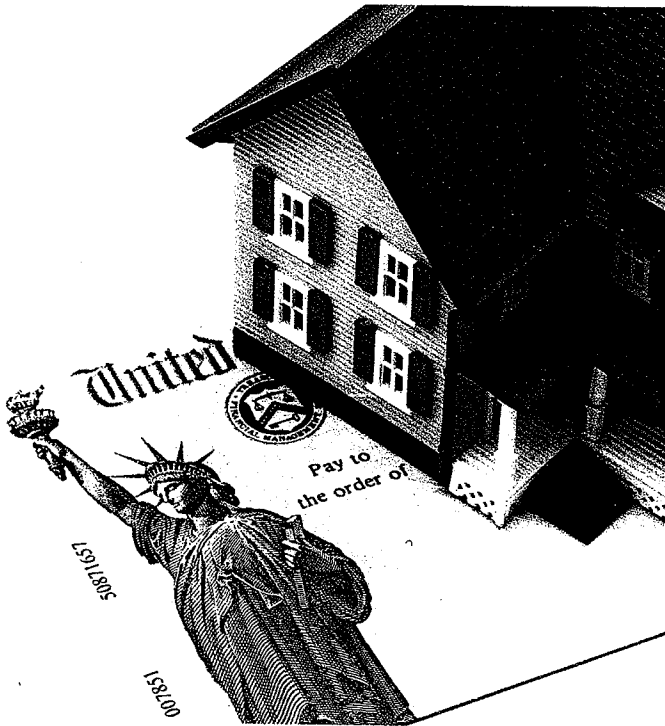
- They must have lived in their present home as a principal residence for five consecutive years within the eight years before their purchase of a new home.
- The new house need not cost more than the present home.
- This credit goes into effect for any purchase made (closing) on or after November 7, 2009, regardless of the date of the offer to purchase.
- The existing home need not necessarily be sold or otherwise disposed of as long as the new home will be the principal residence. For example, the existing home could be used as rental property after the taxpayer moves into the newly purchased home that becomes his new principal residence.

## Rules that Apply to Both Credits

The new law imposes some new eligibility requirements for home buyers hoping to qualify for the \$8,000 first-time home buyers' credit and current homeowners purchasing a new principal residence between November 7, 2009 and April 30, 2010:

- People with higher incomes can now qualify for the tax credits for homes purchased after November 6, 2009. Income limits have been increased to \$125,000 for individuals and \$225,000 for couples filing jointly. These income limits were formerly \$75,000 and \$150,000, respectively. A reduced credit is available for individual taxpayers with a modified adjusted gross income between \$125,000 and \$145,000 or between \$225,000 and \$245,000 for joint filers.

HOME BUYER TAX CREDIT ... CONTINUED ON PAGE 13



- Qualifying home purchase prices must not exceed \$800,000. This is an absolute ceiling.
- Binding contracts for the purchase of a principal residence signed by April 30, 2010 must close on or before June 30, 2010 in order to qualify for the credits. No further extension is expected.
- For qualifying purchases in 2010, taxpayers will have the option of claiming the credit on either their 2009 or 2010 return.
- Documentation of the purchase will need to be attached to the tax return where the credit is claimed in an effort to help deter fraudulent claims. The Internal Revenue Service will soon issue a revised Form 5405 for claiming the tax credit for homes purchased after November 6, 2009.
- The taxpayer must purchase a new primary residence, including single-family homes, condominiums, townhomes, co-ops, and even boats, motor homes and trailers if they have eating, sleeping and toilet facilities.
- The taxpayer claiming the tax credit must use the purchased home as a principal residence for the next three consecutive years.
- Home buyers do not qualify for a credit if they buy a residence from a relative such as a lineal ancestor (including parents or grandparents) or descendent (including children or grandchildren), or from a spouse or the spouse's relatives.
- In general, members of the military who are serving overseas on official extended duty for at least 90 days during 2009 and the first four months of 2010 have an extra year to take advantage of these credits.

## Home Buyer Tax Credit Resources

For additional information, the following resources – which can be expected to be updated frequently over the upcoming days and weeks – offer examples of fact situations, filing options, tax forms and other details:

- NAR The Basics: Extended Home Buyer Tax Credit 2009/2010: [http://www.realtor.org/home\\_buyers\\_and\\_sellers/2009\\_first\\_time\\_home\\_buyer\\_tax\\_credit](http://www.realtor.org/home_buyers_and_sellers/2009_first_time_home_buyer_tax_credit)
- Internal Revenue Service: <http://www.irs.gov/newsroom/article/0,,id=204671,00.html>
- IRS Form 5405: <http://www.irs.gov/pub/irs-pdf/f5405.pdf>
- NAR FAQ Regarding Tax Credit Changes: [http://www.wra.org/pdf/government/2009\\_NAR\\_FAQ\\_TaxCreditChanges.pdf](http://www.wra.org/pdf/government/2009_NAR_FAQ_TaxCreditChanges.pdf)

**REALTOR® Practice Tips:** AS ALWAYS, anyone wondering whether these tax credits apply to their own personal situation should consult with their tax advisor or legal counsel.

*Debbi Conrad is Director of Legal Affairs for the WRA.*

## Naturally Exciting

OVER 800 SLOTS

SMOKIN' BLACKJACK

THE BEST BINGO ANYWHERE

THE FINEST IN LIVE ENTERTAINMENT

ALL YOU CAN EAT BUFFET

GAMETIME GRILL & TWO LOUNGES

