

[Update Nov 2009] **Following Congress approval, President Obama has signed off on the bill approving an extension of the \$8,000 new home buyer tax credit until April 30th 2010. It is available till the end of 2010, but in a phased out fashion. Also, the new provisions in the extension are NOT retroactive. Here is a summary of the new and updated provisions and their impact on you if you have or are planning to buy a house:**

- First-time home buyers who bought after January 1, 2009 (*original date of credit start*) and close before April 1 2010, would get the **full** \$8,000. For homes purchased after April 1st 2010 to December 31st 2010 the credit is still available, but it's value would be reduced by \$2,000 in each successive quarter until expiry at the end of 2010. This is an update from the original November 30th 2009 deadline. [*Further extensions are possible if the [housing market](#) and [unemployment](#) get worse*]

- **Income qualification limits:** The home buyers' credit would be available to individuals with a modified adjusted gross income (MAGI) of up to \$125,000, or \$250,000 for couples, up from \$75,000 for individuals and \$150,000 for couples under the original rules. The higher income limits **are only** for homes purchased after Nov. 6, 2009. That is, 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 Nov. 6, 2009.

- The approved extension would extend the credit, due to expire Nov. 30, to home purchases under contract by April 30, 2010, with borrowers allowed another 60 days to close the sale.

- **\*NEW\* Current Homeowners** looking for a replacement primary residence could also qualify for a **\$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. This new provision also only applies to homes purchased after Nov. 6th 2009.

- **Claiming the new home buyer credit:** Unless you have already claimed it, the credit can now only be claimed when filing next year's tax return (in 2010). For qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 return. A **new version of Form 5405**, First-Time Homebuyer Credit, will be available on the IRS website in the next few weeks (*I'll provide a link to this when available*). A taxpayer who purchases a home after Nov. 6 **must** use this new version of the form to claim the credit. Likewise, taxpayers claiming the credit on their 2009 returns, no matter when the house was purchased, must also use the new version of Form 5405. Taxpayers who claim the credit on their 2009 tax return will not be able to file electronically but instead will need to file a paper return. A taxpayer who purchased a home on or before Nov. 6 and chooses to claim the credit on an original or amended 2008 return may continue to use the current version of Form 5405.

If you and your spouse claim the credit on a joint return (both of you must meet the income and past ownership criteria to qualify), each spouse is treated as having been allowed half of the credit for purposes of repaying the credit. So the total amount claimable is still only \$8000 (up to April 30th 2010).

- The new \$8000 credit can be used towards the **down payment** of a house bought in the credit qualifying period. You need to work with your lender to take advantage of this provision.

- **Tax Credit Exclusions:** Homes that cost more than \$800,000 aren't eligible for the credit and you must be over 18 years old to claim the credit. Those who sell their new home or stop using it as their main residence within three years would have to repay the credit. You cannot claim the credit if acquired your home by gift or inheritance OR if you acquired your home from a related person

- If two or more **unmarried individuals** buy a main home, they can allocate the credit among the individual owners using any reasonable method. The total amount allocated cannot exceed the smaller of \$8,000 or 10% of the purchase price. *Note: A reasonable method is any method that does not allocate all or a part of the credit to a co-owner who is not eligible to claim that part of the credit (I would go with 50/50 as a reasonable method if one person is not eligible for the credit)*

- The purchase date is how you decide which credit you are eligible for. Only **homes purchased** from Jan 1 2009 to April 1st 2010 are eligible for the fully refundable \$8000 credit. If you constructed your main home, you are treated as having purchased it on the date you first occupied it.