

**Signed into law November 6, 2009**

## **Tax Credit for Homebuyers**

**First-Time Homebuyers (FTHBs):** First-time homebuyers (that is, people who have not owned a home within the last three years) may be eligible for the tax credit. The credit for FTHBs is 10% of the purchase price of the home, with a maximum available credit of \$8,000.

Single taxpayers and married couples filing a joint return may qualify for the full tax credit amount.

**Current Owners:** The tax credit program now gives those who already own a residence some additional reasons to move to a new home. This incentive comes in the form of a tax credit of up to \$6,500 for qualified purchasers who have owned and occupied a primary residence for a period of five consecutive years during the last eight years.

Single taxpayers and married couples filing a joint return may qualify for the full tax credit.

## **What are the New Deadlines?**

In order to qualify for the credit, all contracts need to be in effect no later than April 30, 2010 and close no later than June 30, 2010.

## **Tax Credit Versus Tax Deduction**

It's important to remember that the tax credit is just that... a tax *credit*. The benefit of a tax credit is that it's a dollar-for-dollar tax reduction, rather than a reduction in a tax liability that would only save you \$1,000 to \$1,500 when all was said and done. So, if a first-time homebuyer were to owe \$8,000 in income taxes and would qualify for a tax credit of \$8,000, she would owe nothing.

Better still, the tax credit is refundable, which means the homebuyer can receive a check for the credit if he or she has little income tax liability. For example, if a first-time homebuyer is eligible for a tax credit of \$8,000 but is liable for \$4,000 in income tax, she can still receive a check for the remaining \$4,000!

## **Higher Income Caps**

The income someone can earn and qualify for the full amount of the credit has been increased.

Single tax filers who earn up to \$125,000 are eligible for the total credit amount. Those who earn more than this cap can receive a partial credit. However, single filers who earn \$145,000 and above are ineligible.

Joint filers who earn up to \$225,000 are eligible for the total credit amount. Those who earn more than this cap can receive a partial credit. However, joint filers who earn \$245,000 and above are ineligible.

## **Maximum Purchase Price**

Qualifying buyers may purchase a property with a maximum sale price of \$800,000.

# NAR Issue Brief

## Homebuyer Tax Credit Changes



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Congress has extended and expanded the homebuyer tax credit. The modifications in the column labeled "December 1 – April 30, 2010" become effective when President Obama signs the bill. All changes made to the current credit become effective on that date, as well.

<b>FEATURE</b>	<b>Jan 1 – November 30, 2009 Rules as enacted February 2009</b>	<b>December 1 – April 30, 2010 Rules as enacted November 2009</b>
<b>First-time Buyer – Amount of Credit</b>	\$8000 ((\$4000 married filing separate)	\$8000 ((\$4000 married filing separate)
<b>First-time Buyer – Definition for Eligibility</b>	May not have had an interest in a principal residence for 3 years prior to purchase	Same
<b>Current Homeowner – Amount of Credit</b>	No Provision	\$6500 ((\$3250 married filing separate)
<b>Effective Date – Current Owner</b>	No Provision	Date of Enactment
<b>Current Homeowner – Definition for Eligibility</b>	No Provision	Must have used the home sold or being sold as a principal residence consecutively for 5 of the previous 8 years
<b>Termination of Credit</b>	Purchases after November 30, 2009. (Becomes April 30, 2010 on Date of Enactment.)	Purchases after April 30, 2010
<b>Binding Contract Rule</b>	None	So long as a written binding contract to purchase is in effect on April 30, 2010, the purchaser will have until July 1, 2010 to close.
<b>Income Limits (Note: Increased income limits are effective as of date of enactment of bill)</b>	\$75,000 – single \$150,000 – married Additional \$20,000 phase out	\$125,000 – single \$225,000 – married Additional \$20,000 phase out
<b>Limitation on Cost of Purchased Home</b>	None	\$800,000 Effective Date of Enactment
<b>Purchase by a Dependent</b>	No Provision	Ineligible Effective Date of Enactment
<b>Anti-fraud Rule</b>	None	Purchaser must attach documentation of purchase to tax return