

Homebuyer Tax Credits: What You Need to Know



The Worker, Homeownership and Business Assistance Act of 2009, extended the time that first-time homebuyers could take advantage of a special tax credit to purchase a home. The act also added a provision for repeat or move-up buyers, enabling even more people to qualify for government tax credits. Do you know if you qualify?

The Frequently Asked Questions below will help you understand if you could qualify for a tax credit under the new law.

I am a first-time homebuyer.

1. Am I eligible for the first-time homebuyer tax credit?

First-time homebuyers closing on a home between now and June 30, 2010 are eligible for a tax credit.* You must also own and use the house as your primary residence for a minimum of three years or be subject to a repayment penalty.

2. How does the government define a first-time homebuyer?

A first-time homebuyer is anyone who has not owned a home within the last three years. If your spouse has been a homeowner within the past three years, but you were not the homeowner, you would not qualify for the tax credit.

3. How much tax credit can I qualify for?

The credit amount that you qualify for depends on your income. The maximum tax credit is \$8,000. The income limits for all buyers are now \$125,000 per year for individuals and \$225,000 for married couples. Under the old program, the limits were \$75,000 and \$150,000 respectively.

4. How do I claim the tax credit?

You can claim the tax credit on your federal income tax return. You must show proof of purchase by attaching a copy of the HUD-1 settlement sheet (closing document). Be sure to consult your tax advisor.

5. Does the home I buy have to be my primary residence?

Yes. To qualify for the tax credit, you must purchase a primary residence. Purchases of vacation or investment properties do not qualify.

6. When does the tax credit expire?

You must sign a purchase contract by April 30, 2010 and close by June 30, 2010. Purchases beyond these dates are excluded from the tax credit program.

7. Is there a maximum purchase price for the home?

Yes. There is an \$800,000 price limit on all homes eligible for the credit.

8. I am in the military, are there any special provisions for members of the military?

Yes. If a service member has to move before three years have passed, due to deployments, etc., this requirement would be waived. Also, if you are in the military and are deployed, you have until June 30, 2011 to close on a property.

9. What type of home qualifies for the tax credit?

Any type of home may qualify as long as it is your primary residence. The home can be a single family detached home, condo, townhouse, mobile or manufactured home, or a houseboat.

I am a move-up/repeat buyer.

1. Am I eligible for the move-up/repeat buyer tax credit?

Repeat or move-up homebuyers closing on a home between now and June 30, 2010 are eligible for a tax credit. You must also own and use the house as your primary residence for a minimum of three years.

2. How much tax credit can I qualify for?

The credit amount that you qualify for depends on your income. The maximum tax credit is \$6,500. The income limits for all buyers are now \$125,000 per year for individuals and \$225,000 for married couples. Under the old program, the limits were \$75,000 and \$150,000 respectively.

3. How does the government define a move-up or repeat buyer?

To qualify for the tax credit as a move-up or repeat buyer, you must have owned and lived in your current residence for at least five consecutive years.

4. How do I claim the tax credit?

You can claim the tax credit on your federal income tax return. You must show proof of purchase by attaching a copy of the HUD-1 settlement sheet (closing document). Be sure to consult your tax advisor.

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