

## Congress Recently Enacts Legislation to Further Bolster Home Sales

**O**n November 6, President Obama signed into law the Worker, Homeownership and Business Assistance Act of 2009. The signing came just one day after the House passed it, and two days after the Senate took action. The act has extended the tax credit of up to \$8,000 for qualified first-time home buyers purchasing a principal residence. It also authorized a tax credit of up to \$6,500 for qualified repeat home buyers.

The following are key points that prospective home buyers should be aware of when considering a home purchase under the tax-credit program.

- A tax credit – the lesser of 10 percent or \$8,000 (\$4,000 married filing separately) – is available for first-time home buyers purchasing after December 31, 2008, and before May 1, 2010. In cases where a binding sales contract is signed before May 1, 2010, a home purchase completed before July 1, 2010, will qualify.
- A tax credit – the lesser of 10 percent or \$6,500 (\$3,250 married filing separately) – is available for repeat home buyers who have owned a home for five consecutive years out of the prior eight years. The repeat home buyer tax credit applies to houses sold after November 6, 2009, and before May 1, 2010. In cases where a binding sales contract is signed before May 1, 2010, a home purchase completed before July 1, 2010, will qualify.
- Income limits of \$125,000 for individuals and \$225,000 for married couples filing jointly apply to all sales occurring after November 6, 2009. The credit amount is reduced for buyers with a modified adjusted gross income (MAGI) between \$125,000 and \$145,000 for single taxpayers and between \$225,000 and \$245,000 for married taxpayers filing a joint return.
- Homes priced above \$800,000 are not eligible for either the first-time home buyer tax credit or the repeat home buyer tax credit.
- Expanded tax credit benefits apply to members of the military, the foreign service and the intelligence community.
- Home purchases in 2010 may be claimed on an amended 2009 income tax return.
- Persons who are claimed as dependents by a taxpayer or who are under age 18 do not qualify for a tax credit.
- Home purchases from relatives of the taxpayer's spouse do not qualify for the tax credit. The IRS defines relatives as ancestors (parent, grandparent), lineal descendants (child, grandchildren) and spouses.
- Married couples are not eligible to claim the first-time home buyer tax credit if either spouse has previously owned a home. They may, however, qualify for the repeat home buyer tax credit.
- Neither the first-time home buyer tax credit nor the repeat home buyer tax credit have to be repaid unless the home is sold or ceases to be used as the buyer's principal residence within three years after the initial purchase.
- Taxpayers must submit a copy of the HUD-1 settlement statement and IRS Form 5405 to claim either the first-time home buyer tax credit or the repeat home buyer tax credit.



For more information about the homebuyer tax credit program, contact your tax adviser. 