


Summary of Housing Tax Credits 2008/2009/2010

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 **Update!** The White House has extended and expanded the homebuyer tax credit through June 30, 2010, as long as a binding sales contract is signed no later than April 30, 2010. First-time homebuyers and non-first-time homebuyers are now eligible for the credit. Highlights of the expanded homebuyer tax credit are:

- the tax credit applies to homes purchased after November 6, 2009 and before July 1, 2010
- first-time homebuyers and non-first-time homebuyers are eligible
- income limits are increased to \$125,000 for single taxpayers and \$225,000 for married taxpayers for the full credit; and \$145,000 single and \$245,000 married for the partial credit
- military personnel on extended duty outside the U.S. get an extra year to buy a house and claim the credit

What are the 2008-2009-2010 housing tax credits?

The 2008-2009-2010 housing tax credits are federal tax incentives to help revitalize the housing market, prevent foreclosures, and strengthen the economy.

The credits are part of the:

- Worker, Homeownership, and Business Assistance Act of 2009
- American Recovery and Reinvestment Act of 2009
- 2008 American Housing Rescue and Foreclosure Prevention Act

The housing tax credits offer tax incentives to homeowners, homebuyers, and developers of low-income housing, including:

- a two-year limited property tax deduction for homeowners who do not itemize their deductions
 - a refundable tax credit for eligible first-time homebuyers
 - a refundable tax credit for eligible non-first-time homebuyers
 - increased tax credits for developers of low-income rental housing
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What is the real property tax deduction?

Homeowners who pay property taxes but do not itemize their deductions get a limited increase in the standard deduction on their 2008 and 2009 federal taxes. The property tax deduction:

- is for homeowners who do not itemize deductions
- is a temporary deduction, only for 2008 and 2009 taxes
- increases the standard deduction by \$500 (single) or \$1000 (married filing jointly), but not more than the amount paid in state and local property taxes for the year

The instructions for federal tax Forms 1040 and 1040A include a Standard Deduction Worksheet to help you calculate your standard deduction with the property tax deduction included.

What is the first-time homebuyer tax credit?

The first time homebuyer tax credit is a refundable federal tax credit for homebuyers who have not owned a home within the past three years. To qualify, you must purchase a home on or after April 9, 2008, sign a binding sales contract before May 1, 2010, and close before July 1, 2010. Your home can be a single-family house, a condo, a co-op, mobile home, or townhouse, and must be your principal residence.

The tax credit is worth 10% of the home's purchase price, up to a maximum credit of:

- \$8000 for homes bought in 2009 and 2010 (\$4000 each for married filing separately)
- \$7500 for homes bought in 2008 (\$3750 each for married filing separately)

For the 2009 and 2010 tax credits, you do not have to repay the credit as long as you own and live in the home as your principal residence for at least three years.

The 2008 first-time homebuyer tax credit has to be repaid. In effect, the tax credit is an interest-free loan from the federal government that must be repaid in equal installments over 15 years.

Who is eligible for the first-time homebuyer tax credit?

To qualify for the first-time homebuyer tax credit, you must be a homebuyer who:

- did not own a primary residence during the three years prior to the purchase
- buys a single-family principal residence in the U.S. on or after April 9, 2008, signs a binding sales contract before May 1, 2010, and closes before July 1, 2010
- is a citizen, or a resident alien as defined by the IRS
- did not buy the home from a related person who is an ancestor or descendant (spouse, parent, grandparent, child, grandchild, etc.)
- meets the income guidelines below
- owns and lives in the home for at least three years (For the 2008 credit, you must have lived in the home until the end of the tax year)

If you buy a home November 7, 2009 or later, you must also:

- provide proof of purchase when you file your income taxes
- be at least 18 years old
- not be claimed as a dependent by another taxpayer
- buy a home for less than \$800,000

The first-time homebuyer tax credit income limits are:

First-Time Homebuyer Tax Credit Income Limits (Modified adjusted gross income)			
Filing status	Date of purchase	Full credit income limits	Partial credit* income limits
Single or Head-of-household	Before Nov. 7, 2009	less than \$75,000	\$75,000 to \$95,000
	Nov. 7, 2009 or later	less than \$125,000	\$125,000 to \$145,000
Married filing jointly	Before Nov. 7, 2009	less than \$150,000	\$150,000 to \$170,000
	Nov. 7, 2009 or later	less than \$225,000	\$225,000 to \$245,000

*The tax credit phases out for homebuyers with incomes in the partial credit range. Homebuyers with incomes above the upper limit do not qualify for the credit.

The higher income limits only apply to homes bought on or after November 7, 2009. If you bought a home before November 7, 2009 and did not qualify for the tax credit because of your income, you cannot claim the credit based on the higher income limits.

What is the non-first-time homebuyer tax credit?

The non-first-time homebuyer tax credit is a refundable federal tax credit for current and former homeowners who do not qualify for the first-time homebuyer credit. To qualify, you must have owned and lived in your previous home for at least five consecutive years of the eight years before the purchase. The tax credit equals 10% of the purchase price, up to a maximum of \$6500 (\$3250 each if married filing separately).

You can claim the credit if you buy a home after November 6, 2009, sign a binding sales contract before May 1, 2010, and close before July 1, 2010. Your new home does not have to cost more than your previous home. You do not have to sell your previous home to be eligible for the tax credit, but you must live in your new home as your principal residence for at least three years.

Who is eligible for the non-first-time homebuyer tax credit?

To be eligible for the non-first-time homebuyer tax credit, you must meet all of the first-time homebuyer eligibility requirements except for the rules about previous homeownership and purchase dates. In place of those rules, you must:

- have owned and lived in your previous home as your principal residence for at least five consecutive years of the eight years before the purchase
- buy a single-family principal residence in the U.S. after November 6, 2009, sign a binding sales contract before May 1, 2010, and close before July 1, 2010.

Are there special rules for people in the military?

People serving in the military on extended duty outside the U.S. for 90 days or more have an extra year, through June 2011, to buy a house and claim the tax credit.

How do I get the homebuyer tax credit?

You do not get the tax credit when you close on your house. You get the tax credit when you file your federal income taxes for the year 2008, 2009, or 2010, depending on when you buy your home.

For homes bought in 2008, you claim the credit on your 2008 tax return or amended 2008 tax return.

For homes bought in 2009, you can:

- claim the credit on your 2009 tax return
- file an amended 2008 tax return to claim the credit

For homes bought in 2010, you can:

- claim the credit on your 2009 tax return filed by April 15, 2010
- file an amended 2009 tax return to claim the credit
- or claim the credit on your 2010 tax return

The 2008-2009-2010 homebuyer tax credits are refundable credits that can lower the amount of federal income taxes you owe or give you a cash payment:

- If your credit is less than you owe in taxes, the credit lowers your tax liability dollar for dollar
- If your credit is more than you owe in taxes, the government pays you the difference
- If you do not owe any federal income tax, the government pays you the full credit amount

You must file a federal income tax return to get the credit, even if you don't owe any income taxes.

Do I have to pay back the credit?

If the tax credit is for a home you bought in 2008, you must pay back the credit. If the credit is for a home you bought in 2009 or 2010, you do not have to pay back the credit in most cases.

- **2008 Homebuyer tax credit:** You must start paying back the credit two years after the year you bought the house. You pay back the credit over a 15-year period as an additional tax on your tax return. If you claim a \$7500 credit, for example, you must pay back about \$500 per year. Note: The tax credit is basically a 15-year interest-free loan from the government.

If you stop living in the house as your primary residence, or if you sell the house before the 15-year repayment period is over, you must pay back the balance of the tax credit in full. In special situations, you do not have to pay back the full amount (for example if you do not make enough profit from the sale of the house to pay back the credit, or if the taxpayer dies).

- **2009-2010 Homebuyer tax credit:** You do not have to pay back the credit as long as you own and live in the home as your principal residence for at least three years. If you sell the home before the three years are up, you must pay back the entire credit.