



Homebuyer Tax Credit: What You Need To Know

There's happy news for current homeowners: If you intend to sell your home and buy another in 2009 or 2010, you may be eligible for a federal tax credit of up to \$6,500. The Extended Homebuyer Tax Credit legislation, passed in November 2009, also shares the wealth with first-time homebuyers—up to \$8,000.

Are you eligible?

You're considered a current homeowner under IRS rules if you've used the home being sold or vacated as a principal residence for five consecutive years within the last eight. You're a first-time homebuyer if you or your spouse haven't owned a home for the three years before your purchase.

In both cases, keep in mind that the credit amount you're eligible for begins to decrease for joint filers if your modified adjusted gross income is \$225,000 (\$125,000 for individuals); it disappears at \$245,000 (\$145,000 for individuals).

The ultimate amount of your credit depends on the price of the home and your income.

To claim your benefit:

- Close on a new principal residence between Nov. 7, 2009, and April 30, 2010. *You can settle as late as June 30, 2010, as long as you have a binding contract by April 30.*
- Don't spend more than \$800,000 on your new home.
- When you submit your tax return, attach a copy of the settlement statement you received at closing. *Check with the IRS or your tax adviser to confirm what additional documentation may be needed.*

Decide whether to:

- Apply the credit to your 2009 tax return, filed on or before April 15, 2010,
- File an amended 2009 return; or
- Apply the credit on your 2010 return, filed on or before April 15, 2011.

First-timers who purchased a home between Jan. 1, 2009, and Nov. 6, 2009, may also be eligible for the \$8,000. Keep in mind that the income limits in this case are tighter than for those who purchased after Nov. 6.

Apply the credit to your 2009 taxes

To claim the credit on your 2009 tax return:

- Complete IRS Form 5405 to determine the amount of your available credit.
- Apply the credit when you file your 2009 tax return or file an amended return.
- Attach documentation of purchase to your return or amended return.

Which properties are eligible?

You can apply the credit to primary residences, including single-family homes, condos, townhomes, and co-ops.

Do I need to repay the tax credit?

No, not if you occupy the purchased home for three years or more. However, if the property is sold during this three-year period, the full amount of the credit will be recouped on the sale.

If you have specific questions or need additional information, please contact a tax professional or the Internal Revenue Service at 800-829-1040.

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