



### The Law's Other Provisions\*\*

In addition to the tax credit, the American Recovery and Reinvestment Act of 2009 has several other provisions that will benefit home buyers and the housing market.

The legislation:

- Will help home buyers in high-cost markets by extending the FHA, Fannie Mae and Freddie Mac loan limit of \$729,750 through the end of 2009.
- Allows state housing finance agencies to help buyers at closing by advancing the credit as a loan using proceeds from tax-exempt bonds.
- Extends the tax code section 25C credit for energy-efficient home improvements through the end of 2010; increases the credit rate from 10 percent to 30 percent; raises the lifetime cap from \$500 to \$1,500; expands the list of eligible improvements.
- Provides a "patch" for the Alternative Minimum Tax for tax year 2009.

\*\* Source: National Association of Home Builders, [online] "The Law's Other Provisions", <http://www.federalhousingtaxcredit.com>

### Tax Credits for Energy-Efficient Home Improvements†

The American Recovery and Reinvestment Act of 2009 has made some significant changes to the energy efficiency tax credits. The highlights are:

- The tax credits that were previously effective for 2009, have been extended to 2010 as well.
- The tax credit has been raised from 10% to 30%; previous dollar amount credits have been converted to 30% of cost.
- The maximum credit has been raised from \$500 to \$1,500 for the two years (2009–2010). However, some improvements such as geothermal heat pumps, solar water heaters, and solar panels are not subject to the \$1,500 maximum.

† Source: US EPA and US Dept. of Energy, [online] "Federal Tax Credits for Energy Efficiency", <http://www.energystar.gov>

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Information is deemed accurate but not guaranteed.

## How the \$8,000 First-Time Homebuyer Tax Credit Can Help You...

### The American Recovery and Reinvestment Act of 2009



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## \$8,000 First-Time Homebuyer Tax Credit\*

- *The tax credit is for first-time home buyers only.*
- *The tax credit does not have to be repaid.*
- *The tax credit is equal to 10% of the home's purchase price up to a maximum of \$8,000.*
- *The credit is available for homes purchased on or after January 1, 2009 & before December 1, 2009.*
- *Single taxpayers with incomes up to \$75,000; married couples with incomes up to \$150,000 qualify for the full tax credit.*

## Tax Credit FAQ\*

### What's this new homebuyer tax incentive for 2009?

The 2008 \$7,500, repayable credit increased to \$8,000 and the repayment feature is eliminated for 2009 purchasers. Any home that is purchased for \$80,000 or more qualifies for the full \$8,000 amount. If the house costs less than \$80,000, the credit will be 10% of the cost. Thus, if an individual purchased a home for \$75,000, the credit would be \$7,500. It is available for the purchase of a principal residence on or after January 1, 2009 and before December 1, 2009.

### Who is eligible?

Only first-time homebuyers are eligible. A person is considered a first-time buyer if he/she has not had any ownership interest in a home in the three years previous to the day of the 2009 purchase.

### How does a tax credit work?

Every dollar of a tax credit reduces income taxes by a dollar. Credits are claimed on an individual's income tax return. Thus, a qualified purchaser would figure out all the income items and exemptions and make all the calculations required to figure out his/her total tax due. Then, once the total tax owed has been computed, tax credits are applied to reduce the total tax bill.

Example: So, if before taking any credits on a tax return a person has total tax liability of \$9,500, an \$8,000 credit would wipe out all but \$1,500 of the tax due. ( $\$9,500 - \$8,000 = \$1,500$ )



### So what happens if the purchaser is eligible for an \$8,000 credit but their entire income tax liability for the year is only \$6,000?

This tax credit is what's called "refundable" credit. Thus, if the eligible purchaser's total tax liability was \$6,000, the IRS would send the purchaser a check for \$2,000. The refundable amount is the difference between \$8,000 credit amount and the amount of tax liability.

Example: ( $\$8,000 - \$6,000 = \$2,000$ ) Most taxpayers determine their tax liability by referring to tables that the IRS prepares each year.

### Is there an income restriction?

Yes, income restrictions are based on the tax filing status the purchaser claims when filing his/her income tax return. Individuals filing Form 1040 as Single (or Head of Household) are eligible for the credit if their income is no more than \$75,000. Married couples who file a Joint return may have income of no more than \$150,000.

### Do I have to repay the 2009 tax credit?

No; there is no repayment for 2009 tax credits.

**Note: If you claim the credit but then sell the property within 3 years of the date of purchase, you are required to pay back the full amount of any credit, including any refund you received from it.**

### How do I apply for the credit?

There is no authorization, application or similar approval process. All eligible purchasers claim the credit on their IRS Form 1040 tax return. The credit will be reflected on a new Form 5405 that will be attached to the 1040. Find Form 5405 at [www.irs.gov](http://www.irs.gov).

### If I claim my 2009 \$8,000 credit on my 2008 tax return, will I have to repay the credit just as the 2008 credits are repaid?

No. Congress anticipated this confusion and has made specific provision so that there would be no repayment of 2009 credits that are claimed on 2008 returns.

### I have a home under construction. Am I eligible for the credit?

Yes, so long as you actually occupy the home before December 1, 2009.



\* Source: National Association of REALTORS®, [online] "Government Affairs First-Time Homebuyer Tax Credit Frequently Asked Questions", <http://www.realtor.org>