

Is a Homebuyer Tax Credit Available for Me?

Now is one of the best buyer's markets in years, and tax credits make home purchasing more affordable than ever!

Homebuyer tax credits are available through April 2010



Bernard D. Headley II

Who can use the homebuyer tax credit?

First-time purchasers and long-time homeowners who buy a replacement principal residence. The law defines a first-time buyer as an individual who has not owned a home in the three years prior to the day of purchase.

According to the IRS, the long-time homeowner must have lived in the same principal residence for any five consecutive-year period during the eight-year period that ended on the date the replace home is purchased.

How much is the credit?

For first-time buyers the credit is equal to 10 percent of the cost of the home up to a maximum of \$8,000. For long-term homeowners, the credit is equal to 10 percent of the purchase price up to \$6,500.

What is the deadline for using the tax credit?

Under the new law, an eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before April 30, 2010 and close on the home by June 30, 2010.

What's the deadline for military service members?

The credit is extended through May 1, 2011 for members of the military serving outside of the United States for at least 90 days.

Which properties are eligible?

Any single-family home (including condos, co-ops, townhouses) that will be used as a taxpayer's principal residence. Vacation properties are not eligible; the tax credit may not be used to purchase a home for more than \$800,000.

Are there income limitations?

People with higher incomes can now qualify for the credit. The new law raises the income limits for homes purchased after November 6, 2009. The credit phases out for individual taxpayers with modified adjusted gross income between \$125,000 and \$145,000 or between \$225,000 and \$245,000 for joint filers.

How do I claim the tax credit?

For qualifying purchases, taxpayers have the option of claiming the credit on either their 2009 or 2010 return. The credit reduces a taxpayer's tax bill or increases his or her refund, dollar for dollar. It is fully refundable, meaning the credit will be paid out to eligible taxpayers, even if they owe no tax or the credit is more than the tax owed. The credit is claimed using IRS Form 5404.

Does the credit have to be repaid?

No, as long as the buyer stays in the home for at least three years. If the home is sold within three years of the date of purchase, the buyer is required to pay back the full amount of the credit, including any refund received.



Bernard D. Headley II
Mortgage Lender
1001 Lake Street
Oak Park, IL 60301
708.660.1000

