

HOME BUYER TAX CREDIT EXTENSION

The Senate has voted last night (11/4) to extend and expand a popular tax credit for homebuyers that was scheduled to expire Nov. 30. The House is expected to schedule a quick vote on the bill as early as today 11/5 as part of a package that also extends unemployment benefits for people out of work more than a year. The White House indicated that the President will sign the legislation.

How the homebuyer tax credit would work:

- Tax credit: Ten percent of the purchase price of a primary residence, up to a maximum of \$8,000 for first-time homebuyers and \$6,500 for repeat buyers who purchase between December 1, 2009 and May 1, 2010. First-time homebuyers are defined as people who have not owned a home in the previous three years. Repeat buyers must have owned their current home at least five years. The credit cannot be used for houses costing more than \$800,000.
- Deadline for qualifying: Purchase agreements must be signed by April 30, 2010, and closings must be final by June 30.
- Military deadline: The deadline is extended by a year for members of the military who have served outside the U.S. for at least 90 days from Jan. 1, 2009, to May 1, 2010.
- Income limits: Individuals with annual incomes up to \$125,000 and joint filers with incomes up to \$225,000 qualify for the full credit. Individuals with incomes up to \$145,000 and joint filers with incomes up to \$245,000 qualify for reduced credits.
- How to apply: Taxpayers can claim the credit on their federal income tax returns. If the credit exceeds their tax bill, the government will issue a payment. Taxpayers who want immediate refunds can amend their tax returns for 2008 to claim the credit.
- New anti-fraud limitations imposed.
- Cost: \$10.8 billion.

Source: Bloomberg Press and Associated Press and confirmed information with the content of the Senate bill