

HOMEBUYER TAX CREDIT

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Real Estate

The Federal Homebuyer Tax Credits Expire APRIL 30, 2010

**\$8,000 Available to First-Time Buyers
\$6,500 Available to Long-Time Residents**

TAX CREDIT BASICS

- In November 2009, the Federal Homeowner Tax Credit was expanded and extended.
- Under the new guidelines a property must be under contract to purchase by April 30, 2010 and it must close by June 30, 2010.
- The tax credit was expanded to include both first time buyers and long time residents. The income limits were also expanded.
- The yearly income limit for a single person is \$125,000. For a couple, the income limit is \$225,000.
- A first time buyer is defined as someone who has not owned a home during the last three years.
- A long-time resident is defined as someone who has owned a home at least five out of the last eight years.
- The maximum purchase price of a property is \$800,000. The program is designed for primary residences as opposed to investment property.
- The tax credit is \$8,000 for first-time buyers and \$6,500 for long-time residents.
- A tax credit differs from a tax deduction. A qualifying purchaser under this program will have a credit toward their income taxes owed. If the income taxes owed are less than the credit, the qualifying purchaser will receive a tax refund.
- A purchaser should plan on owning the property for at least three years. If the property is sold within three years, the tax credit must be returned.
- The seller of the property can be anyone except a direct relative. The buyer cannot be claimed as a dependent on someone else's tax return.
- To take advantage of the tax credit, a qualifying purchaser simply needs to include IRS Form 5405 and the settlement statement with their tax return.
- A prospective buyer should seek the advice of a CPA and discuss the particulars of their own situation.



TAX CREDIT RULES

OLD

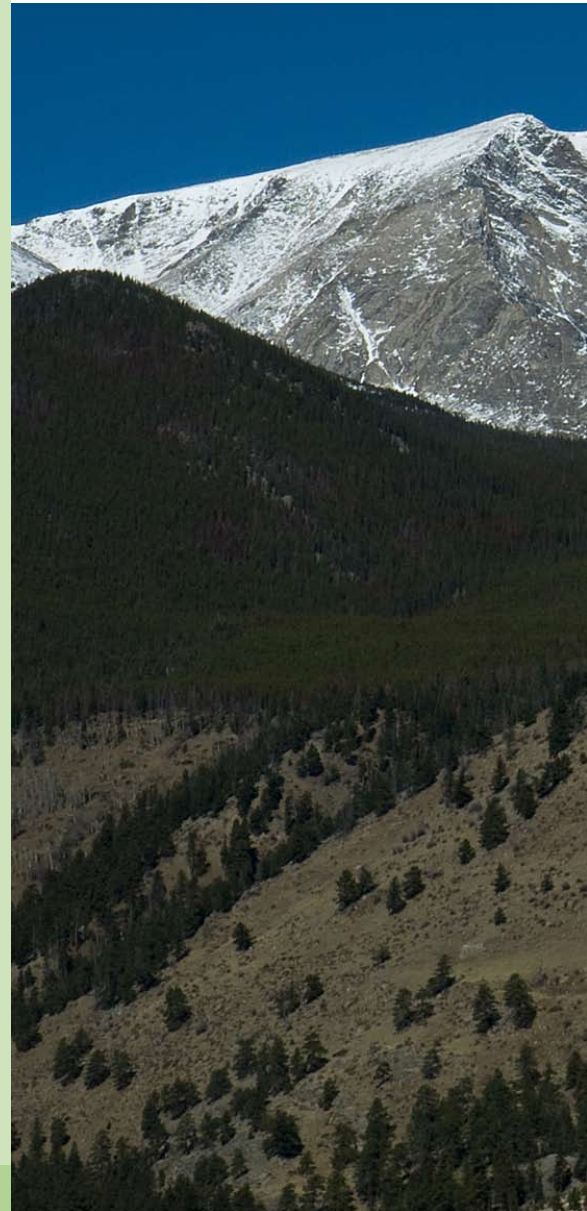
NEW

FEATURE	Rules As Enacted February 2009	Rules As Enacted November 2009
First-Time Buyer – Amount of Credit	\$8,000 (\$4,000 married filing separate)	\$8,000 (\$4,000 married filing separate)
First-time Buyer – Definition for Eligibility	May not have had an interest in a principal residence for 3 years prior to purchase	Same
Current Homeowner – Amount of Credit	No Provision	\$6,500 (\$3,250 married filing separate)
Effective Date – Current Owner	No Provision	November 7, 2009
Long-Time Resident – Definition for Eligibility	No Provision	Must have used the home sold or being sold as a principal residence consecutively for 5 of the previous 8 years
Termination of Credit	Purchases after November 30, 2009. (Becomes April 30, 2010 on November 7, 2009)	Purchases after April 30, 2010
Binding Contract Rule	None	So long as a written binding contract to purchase is in effect on April 30, 2010, the purchaser will have until June 30, 2010 to close
Income Limits (Note: Increased income limits are effective as of November 7, 2009)	\$75,000 – single \$150,000 – married Additional \$20,000 phase out	\$125,000 – single \$225,000 – married Additional \$20,000 phase out
Limitation on Cost of Purchased Home	None	\$800,000
Purchase by a Dependent	No Provision	Ineligible
Anti-fraud Rule	None	Purchaser must attach documentation of purchase to tax return

TAX CREDIT FAQS

- 1 I qualify as a 'long-time resident', I'd like to keep my current property as an investment instead of selling it. Can I do that?**
Yes, you are not required to sell your current home.
- 2 I'd like to buy a home that is less expensive than my current home. Can I do that?**
Yes, you can 'move-up' or 'move-down'.
- 3 I am a first-time buyer and I purchased before the extension. Should I have closed by the end of November?**
No, not until June 30, 2010.
- 4 What if the seller is financing the purchase?**
You can still claim the credit.
- 5 What about new homes?**
New homes qualify as long as you close and move in by June 30, 2010.
- 6 What if someone helps me make my payments?**
That's okay as long as the deed and mortgage documents are in your name.
- 7 I heard there are special rules for the military. Is that true?**
Yes, if members of the military are serving overseas on extended duty, they get an extra year.
- 8 Does the \$6,500 tax credit for 'long-time residents' apply to contracts written before 12/30/09?**
Yes.

Talk to your accountant before taking advantage of the new tax credit. The information contained in this brochure is deemed to be reliable but is not guaranteed. All buyers are encouraged to seek legal and tax counsel before purchasing property.



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