

Show Me The Money

In 2008, Congress enacted a \$7,500 tax credit designed to be an incentive for first-time homebuyers to purchase a home. The credit was designed as a mechanism to decrease the over-supply of homes for sale.

For 2009, Congress has increased the credit to \$8,000 and made several additional improvements. This revised \$8,000 tax credit applies to purchases on or after January 1, 2009 and before December 1, 2009.

Rules for 2009 first-time homebuyers tax credit

- Does not have to be repaid unless the home is sold within three years.
- Applies only to first-time homebuyers, defined as those who have not owned a home within the previous three tax years.
- Available only for homes purchased between Jan. 1, 2009, and Dec. 1, 2009.
- Restricted by income; phases out for individuals with an adjusted gross income of \$75,000 or above and for married couples with a combined adjusted gross income of \$150,000 or above.
- Tax credit is for up to 10 percent of the purchase price, up to a maximum of \$8,000. For example, a buyer of a \$150,000 home could receive a tax credit of a maximum of \$8,000, while a first-time buyer of a \$70,000 home would be eligible for a tax credit of \$7,000.
- The credit can be taken on 2008 taxes even when the purchase is made in 2009.

The best part of this tax credit is that homebuyers can take the credit on their 2008 tax return even when they have purchased the home in 2009. This acts as an immediate stimulus for a lot of people.

Homebuyers can take advantage of this filing exception in one of three ways: closing on the home prior to April 15, 2009, getting an extension to file taxes later in the year or filing an amended return.

Some state housing programs are introducing programs that allow homebuyers to access the tax credit money at settlement.

This second mortgage can be applied to down payment and closing costs, then repaid with the proceeds from the income tax credit.

The new credit improves on a first-time homebuyer credit passed in 2008. That credit had to be paid back over a period of 15 years, making it more of a loan than a true credit.

Expansion of the home improvement tax credit.

The tax credit for making energy-efficient home improvements has been raised to 30 percent of the cost of the improvements, up to a maximum of \$1,500.

Eligible improvements -- which must meet the standards established by the federal government -- include replacing doors and windows, adding insulation, and installing new heating and air conditioning systems and water heaters.

The tax credit on home improvements works as a great incentive for homeowners who need to make energy-efficient improvements to their homes. The fact that these incentives are "credits" rather than "deductions" makes them even more appealing.

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