

FIRST-TIME HOMEBUYERS FEDERAL INCOME TAX CREDIT IMPROVED AND EXTENDED

ERA Landmark notes beneficial changes in the American Recovery and Reinvestment Act

Individuals and couples contemplating the purchase of their first home have an opportunity to take advantage of a federal income tax credit that can help put them in the home of their dreams - and the incentive is even more attractive than before.

"The American Recovery and Reinvestment Act of 2009 modified the existing, temporary federal income tax credit for qualified first-time homebuyers," said Robyn Erlenbush, Broker/Owner of ERA Landmark Real Estate. "For those who qualify, the changes to this incentive make it even more valuable. The incentive has been extended, but it won't last forever; for those considering home ownership, 2009 is proving to be a unique and compelling opportunity."

In this version of the tax credit, qualified "first-time" buyer - defined as an individual who has not owned a home during the past three years - can receive a federal tax credit of 10 percent of the cost of their principal residence, up to a maximum credit of \$8,000. Buyers receive a tax credit on their personal income tax return in the calendar year following the year of closing on their home.

Unlike the previously available tax credit, the modified version does not require homebuyers to repay the credit as long as they retain ownership of the home, as their primary residence, for three years. This incentive is also retroactive covering homes purchased on or after January 1, 2009.

"This temporary tax credit provides one more sound reason for first-time buyers to take advantage of today's attractive interest rates and ample inventory of homes, as well as save on their federal taxes," Erlenbush said. "The benefits are significant. For example, if a home costs \$65,000, the allowable credit is \$6,500. For a home that's purchased for \$120,000, the allowable credit is \$8,000."

Erlenbush cautions that although the incentive has been extended, it is only temporary. To be eligible for the tax credit, qualified first-time buyers must purchase and reside in the principal residence before December 1, 2009. Other eligibility requirements must be met to receive the credit, Erlenbush noted, including income limits. Individuals who exceed the limit may be eligible for a partial credit. Buyers should seek advice from a professional tax advisor for specific tax calculations.

To find out more about the American Recovery and Reinvestment Act temporary federal income tax credit for first-time homebuyers and whether it may be available to you, contact your tax professional or legal adviser; and contact [ERA Landmark Real Estate](#) to find your new home.

A CONSUMER GUIDE TO THE FIRST-TIME HOMEBUYER FEDERAL INCOME TAX CREDIT

As Modified in the American Recovery and Reinvestment Act
February 2009

FEATURE	FIRST-TIME HOMEBUYER FEDERAL INCOME TAX CREDIT: EFFECTIVE FOR PURCHASES ON OR AFTER JANUARY 1, 2009 AND BEFORE DECEMBER 1, 2009
Amount of	The amount of the homebuyer federal income tax credit is the lesser of 10% of the cost of the home bought or \$8,000. This homebuyer income tax credit reduces income tax

Credit	liability and requires no repayment.
Eligible Property	Any single-family residence (including a condo, co-op, or townhouse) may be an eligible property under the homebuyer income tax credit, provided it will be used as the homebuyer's principal residence.
Income Limit	In order to be eligible for the homebuyer income tax credit in full, the homebuyer can have an annual adjusted gross income of no more than \$75,000 (\$150,000 on a joint return). A homebuyer with an annual adjusted gross income above that level and up to \$95,000 (\$170,000 on a joint return) is eligible for a reduced tax credit.
First-time Homebuyer Only	The homebuyer income tax credit is designed for first-time homebuyers, which means the homebuyer (and/or the homebuyer's spouse) can not have owned a principal residence in the 3 years prior to purchase of the eligible property.
Repayment	There is no repayment of the homebuyer income tax credit by the homebuyer.
Recapture	However, if the eligible property is resold within three years of purchase, the entire amount of homebuyer income tax credit is recaptured on the sale.
Effective Date	The First-Time Homebuyer Federal Income Tax Credit is effective for purchases on or after January 1, 2009 and before December 1, 2009. This guide reflects a modification from the First-Time Homebuyer Federal Income Tax Credit, which remains in effect for homes purchased by eligible homebuyers between April 9, 2008 and Dec. 31, 2008.

** Seek advice from a professional tax advisor for specific tax calculations and timing for claiming the tax credit.*

SOURCE: Based on information provided by the [National Association of Realtors](#). For modifications from prior tax credit announced in April 2008, [click here](#).