

2009 FIRST-TIME HOMEBUYERS TAX CREDIT—QUESTIONS ANSWERED

The new economic stimulus plan for first-time homebuyers is a little confusing for most people.

The new law sweetens a provision known as the "first-time homebuyer credit." In essence, if you meet certain qualifications, such as buying a home from Jan. 1 through Nov. 30 this year, you may be eligible for a tax credit of as much as \$8,000. You also have a choice of claiming the credit on your federal income-tax return for 2008 or 2009. A credit is typically more valuable than a deduction, since it eliminates your taxes on a dollar-for-dollar basis -- and in this case, you may get the tax credit even if you don't owe any taxes!

Here are answers from IRS officials and tax advisers to some questions about the credit.

Q: Who can claim the credit?

A: In general, the IRS says you may be eligible if you bought your main home, located in the U.S., after April 8, 2008, and before Dec. 1, 2009 -- and if you (and your spouse, if you're married) haven't owned any other main home during the three-year period ending on the date of purchase. That means you might be eligible even if you owned a home for many years before that period. However, there are numerous other qualifications.

Q: How much is the credit?

A: That depends on when you bought the home and other factors, such as your income and the home's price. The rules are more generous if you buy a new home during the 2009 period and meet all the qualifications. In that case, the maximum amount generally is \$8,000, or half that amount if you're married filing separately. More important, you don't have to repay the credit at all unless that home "ceases to be your main home within the 36-month period beginning on the purchase date," the IRS says. Initially, there was some confusion about whether the \$8,000 maximum credit would apply if someone bought a home in 2009 and chose to claim the credit on their return for 2008. It's now clear the \$8,000 maximum limit does indeed apply. The credit generally is limited to the amounts mentioned above -- or 10% of the home's purchase price, whichever is less. For example, if you bought a new home this year for \$70,000, the maximum amount of the credit would be limited to 10% of that amount, or \$7,000.

Q: How do the income limits work?

A: You may be eligible for the full amount of the credit if your adjusted gross income, with certain modifications, is \$75,000 or less -- or \$150,000 or less if married and filing jointly. However, the credit begins to disappear, or "phase out," if your income exceeds those amounts. You can't claim the credit at all if your income is \$95,000 or more, or \$170,000 or more if married and filing jointly, the IRS says.

Q: Are there are other qualifications?

A: Yes. You can't claim it if your home is located outside the U.S. You also aren't eligible if you're a nonresident alien, if you inherited the home or got it as a gift, or if you acquired it from a "related person," such as your spouse, parents or grandparents.

Q: Will the credit help me if I don't owe any tax?

A: Yes. The credit "may give you a refund" even if you owe no tax, the IRS says.

Q: I've already filed my return for 2008. Can I still claim it? If so, how?

A: Yes. File what's known as an "amended" return. Use Form 1040X, and attach Form 5405.

For more information on this or any other real estate related subject, feel free to contact me, Lebron Little, at ERA Simmons Real Estate.

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