

First Time Home Buyer Credit Extended and Enlarged

November 6, 2009

The \$8,000 first time home buyer tax credit has become a popular tax perk for house hunters. The program was scheduled to end for any closing taking place after December 1, 2009. At the urging of the Obama administration, Congress has passed legislation extending the program.

What the new law provides:

1. The deadline for the \$8,000 credit will be extended until April 30, 2010. However “deadline” now has a different meaning. The current law calls for a closing prior to December 1, 2009. The new law requires a signed contract by April 30, 2010, but a closing need not take place for 60 days. As a result of this change the deadline is actually June 30, 2010.
2. Perhaps the most significant difference is that the credit eligibility has been enlarged to include current homeowners. Current homeowners can claim up to \$6,500 provided they have owned their primary residence for at least 5 years. The target here is to encourage “move up” buyers.
3. Another enlargement comes in the form of an increase in income limitations. Annual income limitations have increased from \$75,000 to \$125,000 for single buyers, and from \$150,000 to \$225,000 for married couples.

No Credit is available for homes costing in excess of \$800,000. Anyone who buys a home in 2010 can take the credit on their 2009 tax return. Another important provision which will remain true under the new law is that the credit will be recaptured if the home ceases to be the principal residence within 36 months of the date of purchase.