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Your Accounting for a New Economy

Worker, Homeownership and Business Assistance Act of 2009: New Tax Credits for Homebuyers

The Worker, Homeownership and Business Assistance Act of 2009 (WHBAA) was signed into law Nov. 6. Not only does the act extend unemployment benefits for millions of Americans and the five-year net operating loss (NOL) carryback election for businesses, but it also extends and enhances the homebuyers credit as well.

The homebuyers credit

Last year, a refundable tax credit equal to 10% of the purchase price of a principal residence was made available to qualified first-time homebuyers. This credit was set to expire July 1, 2009, and generally required repayment. But in February the American Recovery and Reinvestment Act of 2009 (ARRA) extended its availability to purchases made before Dec. 1, 2009, and generally removed the repayment obligation for qualifying purchases after Dec. 31, 2008.

WHBAA has now extended the credit to purchases made before May 1, 2010 — or July 1 if a binding contract is in place before May 1 to close on the purchase before July 1.

The maximum credit remains at \$8,000 (\$4,000 for married filing separately) for first-time homebuyers. For purposes of the credit, a first-time homebuyer is someone who has had no ownership interest in a principal residence in the United States during the prior three-year period.

In addition, WHBAA expands the credit to many “long-time” homeowners purchasing a subsequent home. The maximum credit for these taxpayers is \$6,500 (\$3,250 for married filing separately). To qualify, the homeowner must have maintained the same principal residence for any five-consecutive-year period during the eight-year period ending on the purchase date of a subsequent principal residence.

WHBAA also significantly increases the modified adjusted gross income (MAGI) phaseout ranges for the credit. For qualifying purchases made after Nov. 6, 2009, the phaseout range is \$225,000-\$245,000 for joint filers, \$125,000-\$145,000 for single filers.

WHBAA does add a few new limits. Effective for purchases made after Nov. 6, 2009, no credit is allowed if:

- The home's purchase price exceeds \$800,000 (regardless of regional market factors),
- The homebuyer (or his or her spouse) is related to the seller,
- The homebuyer is under age 18 on the date of purchase (unless his or her spouse meets the age requirement), or
- The homebuyer is the dependent of another taxpayer.

There are other expansions, enhancements and limitations as well, so it's important to consult your tax advisor to determine whether you're eligible for the credit.

Are you eligible?

The extension and expansion of the homebuyers credit could provide you with a valuable tax-saving opportunity. But the rules surrounding these breaks are complex. We'd be glad to help you determine whether you're eligible and, if so, how you can make the most of these breaks.

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