

NAR Issue Brief

Homebuyer Tax Credit Changes



National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Congress has extended and expanded the homebuyer tax credit. The modifications in the column labeled "December 1 - April 30, 2010" become effective when President Obama signs the bill. All changes made to the current credit become effective on that date, as well.

FEATURE	Jan 1 - November 30, 2009 Rules as enacted February 2009	December 1 - April 30, 2010 Rules as enacted November 2009
First-time Buyer - Amount of Credit	\$8000 (\$4000 married filing separate)	\$8000 (\$4000 married filing separate)
First-time Buyer - Definition for Eligibility	May not have had an interest in a principal residence for 3 years prior to purchase	Same
Current Homeowner - Amount of Credit	No Provision	\$6500 (\$3250 married filing separate)
Effective Date - Current Owner	No Provision	Date of Enactment
Current Homeowner - Definition for Eligibility	No Provision	Must have used the home sold or being sold as a principal residence consecutively for 5 of the previous 8 years
Termination of Credit	Purchases after November 30, 2009. (Becomes April 30, 2010 on Date of Enactment.)	Purchases after April 30, 2010
Binding Contract Rule	None	So long as a written binding contract to purchase is in effect on April 30, 2010, the purchaser will have until July 1, 2010 to close.
Income Limits (Note: Increased income limits are effective as of date of enactment of bill)	\$75,000 - single \$150,000 - married Additional \$20,000 phase out	\$125,000 - single \$225,000 - married Additional \$20,000 phase out
Limitation on Cost of Purchased Home	None	\$800,000 Effective Date of Enactment
Purchase by a Dependent	No Provision	Ineligible Effective Date of Enactment
Anti-fraud Rule	None	Purchaser must attach documentation of purchase to tax return

NAR Frequently Asked Questions Homebuyer Tax Credit Changes



National Association of REALTORS® Government Affairs Division
500 New Jersey Avenue, NW, Washington DC, 20001

Here are some of the most frequently asked questions on the changes to the Homebuyer Tax Credit

Question: Existing homeowner credit: Must the new house cost more than the old house?

Answer: *No. Thus, for example, individuals who move from a high cost area to a lower cost area who meet all eligibility requirements will qualify for the \$6500 credit.*

Question: I am an existing homeowner. On October 25, 2009, I signed a contract to purchase a new home. I have lived in my current home for more than 5 consecutive years and am within the new income limits. I will go to settlement on November 20. If President Obama has signed the bill by the time I go to settlement, will I qualify for the new \$6500 tax credit?

Answer: *Yes. The existing homeowner credit goes into effect for purchases after the date of enactment (when the bill is signed). There is no reference to the date of contract for the new credit. The provision looks solely to the date of purchase, which is generally the date of settlement.*

Question: I am a first-time homebuyer but was not within the prior income limits at the time I entered into my contract to purchase on October 30, 2009. I will be covered, however, by the new income limits. If the new rules have been signed into law by the time I go to settlement, will I be eligible for a credit?

Answer: *Yes. The new income limitations go into effect as soon as the President has signed the bill. The income limit and other eligibility rules will look to your status as of the date of purchase, which is the settlement date. So if the new rules have been signed when you go to settlement, you should be eligible for the credit (or a portion of the credit if you're within the phase-out range).*

Question: I am an eligible existing homeowner. I have a fair amount of equity in my home. I have found a home with a non-negotiable price of \$825,000. Will I be able to use any of the \$6500 tax credit?

Answer: *No. The \$800,000 cap on the cost of the purchased home is firm at \$800,000. Any amount above \$800,000 makes the home ineligible for any portion of the credit. The \$800,000 is an absolute ceiling.*

Question: I owned my home for 10 years, but sold it two years ago year and have been renting since. If I purchase a home, will I be eligible for the \$6500 tax credit if I meet all the other eligibility tests?

Answer: *Yes. Because you lived in the home for more than 5 consecutive years of the previous 8, you will qualify for the \$6500 credit. For example, Say John and his wife bought a home in 2000 and lived there until 2008 when he got a divorce. Whether John has been renting or bought in the interim, he WOULD INDEED be eligible for the credit because he owned a home and occupied it as his principal residence for 5 consecutive years out of the last 8 years. The keyword here is "consecutive." As long as he lived in that house for 5 years straight what he did since 3 years doesn't impact eligibility.*

Question: I am an eligible first-time homebuyer. I entered into a contract to purchase on November 1, 2009. Do I have to go to closing before December 1? How does the extension date affect me?

Answer: *You do not have to close before December 1. Once the legislation has been signed, it will be as if the Nov 30 date had never existed. Therefore, so long as the contract settles before April 30 (or July 1, worst case), the purchaser will be eligible for the credit.*

How to Get the Extended Home Buyer Tax Credit

You've decided to purchase a home and take advantage of the Extended Home Buyer Tax Credit. Here's what you have to do to get your benefit:

1. Close on your home purchase between November 7, 2009 and April 30, 2010, or have a binding written contract by April 30, 2010 and close by July 1, 2010.
2. Decide whether to:
 - apply the credit to your 2009 tax return, filed on or before April 15, 2010;
 - file an amended 2009 return; or,
 - apply the credit on your 2010 return, filed on or before April 15, 2011.
3. Attach documentation of purchase to your return.

Documentation of Purchase

Details concerning the precise documents required to confirm your purchase have not yet been released. When this information becomes available, we will include instructions and links to the appropriate forms.

When to Apply the Credit

Buyers purchasing homes on or before December 31, 2009 may claim the credit on their 2009 tax returns.

Buyers purchasing in 2010 will have the option to:

- Claim the credit on their 2009 return, even if the purchase is completed after December 31, 2009;
- File an amended return for 2009 if their purchase is completed after April 15, 2010; or,
- Claim the credit on their 2010 tax returns.

If you, or your client, purchased a home between January 1, 2009 and November 6, 2009, please see: [How to Get the 2009 First-Time Home Buyer Tax Credit \(/wps/wcm/connect/RO-Content/ro/homebuyersandsellers/2009firsttimehomebuyertaxcredithowto\)](#).

Applying the Credit to Your 2009 Taxes

You will need to do three things to claim the credit on your 2009 tax return:

1. Fill out Form 5405 to determine the amount of your available credit;
2. Apply the credit when you file your 2009 tax return or file an amended return;

In This Section

[The Basics: Extended Home Buyer Tax Credit \(/wps/wcm/connect/RO-Content/ro/homebuyersandsellers/2009firsttimehomebuyertaxcredithowto\)](#)

[How to Get: Extended Home Buyer Tax Credit \(/wps/wcm/connect/RO-Content/ro/homebuyersandsellers/extendedhomebuyertaxcredithowto\)](#)

[2009 First-Time Home Buyer Tax Credit \(/wps/wcm/connect/RO-Content/ro/homebuyersandsellers/firsttimehomebuyertaxcredit2009\)](#)

[How to Get: 2009 First-Time Home Buyer Tax Credit \(/wps/wcm/connect/RO-Content/ro/homebuyersandsellers/2009firsttimehomebuyertaxcredithowto\)](#)

[Timeline \(/wps/wcm/connect/RO-Content/ro/governmentaffairs/gapublic/homebuyer tax credit news\)](#)

NAR Tax Credit Resources

[Tax Credit Comparison Chart \(/wps/wcm/connect/c5a24080403059f7af99ff205f470b6e/governmentaffairstaxcreditextended2009/PDF:455K\)](#)

[Home Buyer Tax Credit FAQ \(/wps/wcm/connect/d336a1804033a163816af5205f470b6e/governmentaffairstaxcreditFAQs/PDF:596K\)](#)

[President's Podcast: Tax Credit Expanded and Extended \(/wps/wcm/connect/RO-Content/ro/aboutnar/presidentsreport/podcastarchive/mcmillan taxcreditextended20091111\)](#)
[Tax Credit as Down](#)

3. Attach documentation of purchase to your return or amended return.

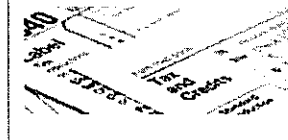
Applying the Home Buyer Tax Credit to Your 2009 Tax Return

[/wps/wcm/connect/RO-Content/ro/home buyers and sellers
/2009 first time home buyer tax credit 2009 return\)](/wps/wcm/connect/RO-Content/ro/home_buyers_and_sellers/2009_first_time_home_buyer_tax_credit_2009_return)

Bridge Loans: Using the Home Buyer Tax Credit Up-Front

[/wps/wcm/connect/RO-Content/ro/home buyers and sellers
/first time home buyer tax credit how to bridge loans\)](/wps/wcm/connect/RO-Content/ro/home_buyers_and_sellers/first_time_home_buyer_tax_credit_how_to_bridge_loans)

**Payment on
FHA Mortgage Flyer**
[/wps/wcm/connect
/13af8a804e82d6a8b236f36019b6e772
/FHA+Homebuyer+Tax+Credit+09.01.C
CACHEID=13af8a804e82d6a8b236f36019b6e772](/wps/wcm/connect/13af8a804e82d6a8b236f36019b6e772/FHA+Homebuyer+Tax+Credit+09.01.CACHEID=13af8a804e82d6a8b236f36019b6e772)
(PDF: 220K)



 [Print Page](#)

 [E-mail Page](#)

<http://www.realtor.org/generalfc.nsf>

[/mailFriend?OpenForm](#)

© Copyright NATIONAL ASSOCIATION of REALTORS® | Headquarters: 430 North Michigan Avenue, Chicago, IL 60611
DC Office: 500 New Jersey Avenue, NW, Washington, DC 20001-2020 | 1-800-874-6500
[Terms of Use](#) | [Privacy Policy](#) | [REALTOR.com](#) | [Contact NAR](#) | [Site Map](#) | [Report Unsolicited Emails](#)