

## HT2 Alert 2009-08 Liberalization of the Homebuyer Credit

The Federal Homebuyer Tax Credit Rules Have Been Liberalized!

The homebuyer credit is extended to apply to a principal residence bought before May 1, 2010 or by a person who enters into a written binding contract before May 1, 2010 and closes before July 1, 2010.

The homebuyer credit may be claimed by existing homeowners who are "long-time residents." For purchases after November 6, 2009, you can claim the homebuyer credit if you (and, if married, your spouse) maintained the same principal residence for any 5-consecutive year period during the 8-years ending on the date that you buy the subsequent principal residence.

The maximum allowable homebuyer credit for qualifying existing homeowners is \$6,500 or 10% of the purchase price of the subsequent principal residence, whichever is less. (The maximum allowable homebuyer credit for first time homebuyers remains at \$8,000.)

For purchases after November 6, 2009, the homebuyer credit phases out over much higher modified AGI levels, making the credit available to a much bigger pool of buyers. For individuals, the phaseout range is between \$125,000 and \$145,000, and for those filing a joint return, it's between \$225,000 and \$245,000.

For purchases after Nov. 6, 2009, the homebuyer credit cannot be claimed for a home if its purchase price exceeds \$800,000. It's important to note that there is no phaseout mechanism. A purchase price that exceeds the \$800,000 threshold by even a single dollar will cause the loss of the entire credit. The new purchase price limitation applies whether you are buying a first-time principal residence or whether you are a qualifying existing homeowner purchasing a replacement principal residence.