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Homebuyer Credit Expanded and Extended

The Worker, Homeownership and Business Assistance Act of 2009, signed into law on Nov. 6, 2009, extends and expands the first-time homebuyer credit allowed by previous Acts.

Under the new law, an eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before April 30, 2010 and close on the home by June 30, 2010. For qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 return.

The new law also:

- Authorizes the credit for long-time homeowners buying a replacement principal residence.
- Raises the income limitations for homeowners claiming the credit.

Following is general information for first-time homebuyers who settled on a new home on or before Nov. 6, 2009.

For 2009 Home Purchases

The American Recovery and Reinvestment Act of 2009 expanded the first-time homebuyer credit by increasing the credit amount to \$8,000 for purchases made in 2009 before Dec. 1. However, the new Worker, Homeownership and Business Assistance Act of 2009 has extended the deadline. Now, taxpayers who have a binding contract to *purchase a home before May 1, 2010*, are eligible for the credit. *Buyers must close on the home before July 1, 2010.*

First-time homebuyers who purchase a home in 2009 can claim the credit on either a 2008 tax return, due April 15, 2009, or a 2009 tax return, due April 15, 2010. The credit may not be claimed before the closing date. But, if the closing occurs after April 15, 2009, a taxpayer can still claim it on a 2008 tax return by requesting an extension of time to file or by filing an amended return. IRS News release 2009-27 has more information on these options.

Existing Homebuyer Credit Expanded and Extended The newly available \$6,500 tax credit for existing home buyers who purchase a new home (must be a primary residence) between November 7th, 2009 extends until April 30th, 2010. A home must be under contract by the April 30th deadline to qualify, and closing must be within 60 days, effectively the end of June. Home owners must have lived in their existing house for five consecutive years out of the previous 8 to be eligible.