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First Time Home Buyer Credit updated

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On February 17th the President signed into law the American Recovery and Reinvestment Act which contained many individual tax benefits which are available in 2009 and 2010. One of the items was a change enacted by the 2008 Housing Act, providing a first time home buyer credit.

The initial credit was equal to the lesser of 10% of the purchase price of a principal residence or \$7,500. The credit was available for qualified buyers who purchased their homes after April 1st, 2008 and before July 1st, 2009. This credit was to be repaid over 15 years for those who claimed it on their individual income tax returns. The change in this credit under the new legislation was to increase the maximum credit to \$8,000 and to eliminate the requirement to repay the credit. This enhanced credit applies to the purchase of a principal residence by a United States citizen after December 31st, 2008 and before December 1st, 2009. Purchases on December 31st, 2008 or prior will only qualify under the old law.

You are considered a first time home buyer, if you or your spouse did not own a principal residence in the United States at any time during the three years preceding the acquisition of your new principal residence. If you purchased your home in 2009, you can elect to treat this purchase as having been made on December 31st, 2008 and include the credit on your 2008 tax return. This can be done through an amended return if you have already filed, or simply elect to include the 2009 purchase on an extended 2008 tax return. The principal residence must be owned by the taxpayers for 36 months, or the credit will be subject to the recapture rules of Code Section 36 of the Internal Revenue Code.

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