

Enhanced Tax Credit Provides Outstanding Opportunity for Home Buyers

In its efforts to stimulate the economy and revive the housing market, Congress has enacted legislation providing a tax credit of up to \$8,000 for first-time home buyers.

Here is the deal on tax credits for first time buyers after Obama's announcement:

While the proposed [\\$15,000 home-buyer tax credit](#) died in negotiations between the House and the Senate, the \$787 billion stimulus bill that President Barack Obama signed into law Tuesday includes a similar--albeit smaller--measure designed to help revive the real estate market. Here are six things you need to know about the freshly-enacted \$8,000 first-time [home buyer tax credit](#).

- 1. Eight grand, new buyers:** The tax credit included in the economic stimulus legislation is much narrower than the [\\$15,000 proposal](#). This credit is equivalent to 10 percent of the purchase price of the home--although it's capped at \$8,000--and applies only to first-time home buyers and principal residences. But unlike an earlier \$7,500 home buyer tax credit, this one does not have to be repaid.
- 2. First time buyers defined:** For the purpose of this legislation, a "first-time home buyer" is someone who hasn't owned a principal residence for three years before buying a house. (The date of purchase is considered the day that the title is transferred.) That means if you've owned a vacation home--but not a principal residence--within the past three years, you would still qualify for the credit.
- 3. 2009 buyers only:** Only those who purchase a home on or after January 1 and before December 1, 2009 are eligible for the credit. Anyone who bought a home last year won't be able to take advantage of it.
- 4. Income limits:** The tax credit is subject to income limitations. Single buyers need a modified adjusted gross income of \$75,000 or less to qualify for the full credit, that's \$150,000 for married couples. Those earning more than these thresholds may be eligible for reduced credits.
- 5. Refundable:** Because the tax credit is "refundable," qualified buyers can take advantage of it even if they don't have much tax liability.
- 6. Recapture:** Buyers have to own the home for at least three years in order to capitalize on the credit. If they sell the home before then, they will have to return the credit to the government. (Exceptions will be made in certain cases, such as death or divorce.)

