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Homebuyer Tax Credit Update!

On November 6, 2009, President Obama signed a bill to extend the tax credit for first-time homebuyers (FTHBs) through June 30, 2010. The bill also opens up opportunities for others who are not buying a home for the first time.

Tax Credit for Homebuyers

First-Time Homebuyers (FTHBs): First-time homebuyers (that is, people who have not owned a home within the last three years) may be eligible for the tax credit. The credit for FTHBs is 10% of the purchase price of the home, with a maximum available credit of \$8,000. Single taxpayers and married couples filing a joint return may qualify for the full tax credit amount.

Current Owners: The tax credit program now gives those who already own a residence some additional reasons to move to a new home. This incentive comes in the form of a tax credit of up to \$6,500 for qualified purchasers who have owned and occupied a primary residence for a period of five consecutive years during the last eight years.

Single taxpayers and married couples filing a joint return may qualify for the full tax credit amount.

What are the New Deadlines?

In order to qualify for the credit, all contracts need to be in effect no later than April 30, 2010, and close no later than June 30, 2010.

Tax Credit Versus Tax Deduction

It is important to remember that the tax credit is just that, a tax *credit*. The benefit of a tax credit is that it is a dollar-for-dollar tax reduction, rather than a reduction in a taxable income that would save you only \$1,000 to \$1,500. Therefore, if a first-time homebuyer were to owe \$8,000 in income taxes and would qualify for a tax credit of \$8,000, she would owe nothing.

Better still, the tax credit is refundable, which means the homebuyer can receive a check for the credit if he or she has little income tax liability. For example, if a first-time homebuyer is eligible for a tax credit of \$8,000 but is liable for \$4,000 in income tax, she can still receive a check for the remaining \$4,000!

Higher Income Caps

The amount of income someone can earn and qualify for the full amount of the credit has been increased.

Single tax filers who earn up to \$125,000 are eligible for the total credit amount. Those who earn more than this cap can receive a partial credit. However, single filers who earn \$145,000 and above are ineligible.

Joint filers who earn up to \$225,000 are eligible for the total credit amount. Those who earn more than this cap can receive a partial credit. However, joint filers who earn \$245,000 and above are ineligible.

Maximum Purchase Price

Qualifying buyers may purchase a property with a maximum sale price of \$800,000.

In addition, you may be able to benefit from additional housing related provisions, including the following:

Tax Incentives to Spur Energy Savings and Green Jobs

This provision is designed to help promote energy-efficient investments in homes by extending and expanding tax credits through 2010 for purchases such as new furnaces, energy-efficient windows and doors, or insulation.

Landmark Energy Savings

This provision provides \$5 billion for energy efficient improvements for more than one million modest-income homes through weatherization. According to some estimates, this can help modest-income families save an average of \$350 a year on heating and air conditioning bills.

Repairing Public Housing and Making Key Energy Efficiency Retrofits To HUD-Assisted Housing

This provision provides a total of \$6.3 billion for increasing energy efficiency in federally supported housing programs. Specifically, it establishes a new program to upgrade HUD-sponsored low-income housing (for elderly, disabled, and Section 8) to increase energy efficiency, including new insulation, windows, and frames.

Expanding Housing Assistance

This provision increases support for several critical housing programs. It includes \$2 billion for the Neighborhood Stabilization Program to help communities purchase and rehabilitate foreclosed, vacant properties.

The new tax credit program and tax incentives include a number of details and qualifications not listed here. For more information or answers to specific questions, please call us, 610-253-2745. We shall be happy to meet with you. We thank our friends at Dominion Mortgage for some of this information.

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