

The Clock is Ticking...



First-Time Homebuyers Tax Credit to Expire

Hard to believe, but the November 30 deadline for earning the First-Time Home Buyers Tax Credit is quickly approaching. If you are planning to join the 1.4 million American families who have already taken advantage of this popular incentive—but have yet to zero-in on a property—you may very well find yourself in a sprint to get your purchase in under the wire.

Even though the term First-Time Home Buyer has been broadly interpreted to empower more people to qualify for the credit, if you truly are a first-time buyer, you may not be fully aware of the time it takes to complete a real estate transaction. At this late date, you will ideally want to have your home picked out by early-October in order to close on it by mid-November; with an extra cushion of time left over to deal with any last-minute details.

If you are uncertain whether you qualify for the tax credit, we provide the basics here. More details available online at irs.gov



Who qualifies for the tax credit? First time buyers purchasing a primary residence are eligible, as is any legal U.S. resident who has not owned a primary home for three years prior to the purchase date. Even if you own a vacation property—but have not used it as your primary residence—you may be eligible for the tax credit to purchase a primary residence. After the purchase, you must use the home as a primary residence for at least three years; or repay the full tax credit.

What do you mean by “primary” residence? A primary residence is the home in which you spend most of your time. It can be a single-family detached home, condominium or town home. Secondary homes and rental properties do not qualify for the credit.

What is the amount of the tax credit? The credit is for 10 percent of the cost of the home, up to a maximum of \$8,000.

Are there income restrictions? Yes; based on the purchaser's tax filing status. Individuals who file as “single” on Form 1040 are eligible for the credit if their adjusted gross income is no more than \$75,000. Married couples filing jointly may not have income in excess of \$150,000. There are some exceptions to these income requirements. Please visit irs.gov to check your individual circumstances.

Are there restrictions on the location of the property? Yes. The property must be located in the United States.

Are there any other restrictions? Yes. The property cannot be purchased from a close relative, including the taxpayer's spouse, parent, grandparent, child or grandchild. Taxpayers who are non-resident aliens are not eligible.

What is the difference between this and the prior tax credit? Unlike the prior tax credit—which was structured like a 15-year interest-free loan—this is a true tax credit because the money is not required to be paid back unless the home is sold within three years.

How do I apply for the tax credit? There is no application or approval process. Eligible home buyers will claim the credit on the appropriate IRS Form 1040 tax return and/or any special forms the IRS might devise. The credit either reduces your tax bill or increases your refund. This means the credit will be paid to eligible taxpayers, even if they owe no tax or the credit is more than the tax owed.

In view of the very real possibility that the tax credit will not be renewed, there's no time like the present to purchase a home. Though on the rebound, prices are still among the lowest in a decade, interest rates continue to hover at historic lows; and the selection of homes—though narrowing considerably with each passing month—still offers an acceptable array of choices.

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