**Claim Your Homebuyer Tax Credits**

Some first-time buyers and longtime owners may be able to claim a federal homebuyer tax credit on a principal residence bought in 2009 or early 2010. Eligibility depends on a number of factors, including income, homeownership status, and the exact purchase date of the home.

To be considered a first-time buyer by the IRS, you must not have owned a home for the three years prior to your purchase. Longtime owners must have lived in their homes for five consecutive years during the past eight years. Revised rules apply to those who buy between November 7, 2009, and April 30, 2010. Buyers who made purchases on or before November 6, 2009, are covered under an older set of guidelines.

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**New rules for first-time homebuyers**
First-time buyers who purchase a home between November 7, 2009, and April 30, 2010, may be entitled to a federal tax credit worth 10% of the sale price or $8,000, whichever is lesser. Income restrictions apply. The tax credit for joint filers begins to phase out at a modified adjusted gross income of $225,000 ($125,000 for individual taxpayers). The credit disappears entirely at $245,000 for joint filers ($145,000 for individuals).

While first-time buyers must enter into a binding contract to purchase a principal residence by April 30, the closing can take place as late as June 30, 2010. The home can't cost more than $800,000.

Qualifying purchases in 2009 can be claimed on your 2008 or 2009 return. File an amended return for 2008. Purchases in 2010 can be claimed on your 2009 or 2010 return. To get the credit for the 2009 tax year on a purchase that closes after April 15, 2010, either request an automatic filing extension or file an amended 2009 return.

The first-time homebuyer tax credit is "refundable," according to Ken Burstiner, a CPA at Weiser LLP in New York City. That means you can earn it even if you owe no federal tax, the credit exceeds your total tax liability, or you have little income. Claim the credit on IRS Form 5405, which should take less than an hour to fill out. It's a good idea to consult a tax adviser. H&R Block's average fee to prepare a tax return is $187.

**Old rules for first-time homebuyers**
First-timers who bought a home between Jan. 1, 2009, and November 6, 2009, may also be eligible for a federal tax credit worth up to $8,000. A tax credit reduces your tax bill or increases your refund dollar for dollar. In general, whether under the old rules or the new rules, you'll be required to repay the full value of the credit to the IRS if you don't maintain the home as your principal residence for three years.

First-time buyers subject to the old rules face tighter income limits. The phase-out kicks in for joint filers when modified adjusted gross income hits $150,000 ($75,000 for individual taxpayers). It disappears entirely at $170,000 for joint filers ($95,000 for individuals). Married filing separately taxpayers can claim only up to half of the $8,000 credit.

First-time buyers in 2008 were subject to a different tax credit program. Homes purchased after April 8, 2008, and before Jan. 1, 2009, were eligible for a credit worth the lesser of $7,500 or 10% of the home's purchase price. Income limits and phase-out ranges were the same as those for first-time buyers between Jan. 1, 2009, and November 6, 2009.

The biggest difference between 2008 and 2009 was that the tax credit in 2008 really functioned as an interest-free loan that must be paid back over 15 years. The first of the annual installments should come due on the 2010 tax return filed in 2011. With few exceptions, if your home ceases to be your main residence during those 15 years, you have to pay back the outstanding amount with the subsequent tax return.

**Tax credit for longtime homeowners**
If you're a longtime homeowner—meaning you've lived at your principal residence for five consecutive years out of the last eight—you may qualify for a homebuyer tax credit worth up to $6,500. You must purchase a new principal residence between November 7, 2009, and April 30, 2010. Like the first-time homebuyer tax credit that applies to these dates, you can settle as late as June 30, 2010, as long as you have a binding contract by April 30.

The same $800,000 cap on the purchase price applies to longtime homeowners, as do the same income restrictions. The credit begins to phase out for joint filers at modified adjusted gross income of $225,000 ($125,000 for individuals), and disappears at $245,000 ($145,000 for individuals). Married couples filing separately are eligible for up to half of the $6,500 credit.

For both first-time and longtime buyers who want to claim the tax credit for a purchase made after November 6, 2009, the IRS requires proof. Attach a copy of the settlement statement you received at closing to your return. You must be at least 18 years old.



**Other restrictions and provisions**

As long as they serve as principal residences, single-family homes, townhouses, co-ops, and condos are all eligible for a tax credit. Mobile homes may be eligible for the credit, even if the land itself is leased. Owning a vacation home or rental property doesn't disqualify you as a first-time homebuyer, but you do have to make it clear such properties were never your principal residence.

You won't be eligible for the tax credit if you're buying from a close relative. For example, if your mother goes into a nursing home and you buy her house from her, you can't claim the credit. Close relatives include parents, grandparents, children, grandchildren, your spouse, and your spouse's family.

*This article provides general information about tax laws and consequences, but is not intended as tax or legal advice applicable to particular transactions or circumstances. Your situation may vary: consult a tax professional for such advice. Tax laws may vary by jurisdiction. Contact your REALTOR about home ownership opportunities.*

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