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Extending and Expanding First-Time Homebuyer Credit

The Worker, Homeownership, and Business Assistance Act of 2009 extends and expands the first-time homebuyer credit that was allowed by previous legislation. The new act makes the credit available to both higher-income taxpayers and to existing homeowners who are qualifying "long-time residents" and buy another principal residence on or before April 30, 2010. The credits also are available to qualifying purchasers who sign a binding contract by April 30, 2010, and who close by June 30, 2010.

This refundable first-time homebuyer tax credit is now available for qualifying purchases equal to 10% of the purchase price of the home (with a maximum credit of \$8,000). An individual is treated as a "first-time homebuyer" if he (and his spouse, if married) had no ownership of a principal residence in the United States during the 3-year period before the purchase of the home.



(For more background, see a related article in the November/December 2008 issue of the HRR *Adviser*, in the "Firm News" section of our website, www.hrrllp.com.)

For purchases after November 6, 2009, a reduced credit of \$6,500 is now available to homebuyers who have lived in a home that they owned and was their primary residence for 5 consecutive years over the past 8 years.

Additionally, the credit phases out for individual taxpayers with adjusted gross income between \$125,000 and

\$145,000 (\$225,000 and \$245,000 for joint filers). There are no requirements for a taxpayer to sell their principal residence to qualify for the credit. The replacement residence can be purchased to beat the new deadlines before the old home is sold, meaning the prior principal residence can be retained in hopes of achieving a better selling price later on.

For purchases after November 6, 2009, you don't get a credit if the house you buy costs more than \$800,000. The new purchase price limitation applies whether a taxpayer is buying a first-time principal residence or is a qualifying existing homeowner purchasing a replacement principal residence.

For more information on the homebuyer tax credit, contact Senior Tax Manager Sidney Leibowitz at (631) 719-3265 or SLeibowitz@hrrllp.com.

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