

2009 First-Time Homebuyer Tax Credit 101



**Marsha
Marsh**
Real Estate Services
814.866.8840
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*Your trusted advisors in
buying & selling real estate
in Erie County.*

DO YOU QUALIFY? \$8,000 tax credit

Marsha Marsh Real Estate Services will help guide you through the details and find you, your first solid investment – your home.



Overview

In 2008 Congress created a \$7,500 First-Time Homebuyer Tax Credit. It went into effect April 8, 2009 and was set to expire July 1, 2009.

The big problem: It had to be repaid over 15 years. People viewed it as a debt and not a benefit.

In 2008 National Association of Realtor® (NAR) began advocating to: remove the repayment feature of the credit, extend the credit to the end of 2009, and make the credit available to every home buyer.

NAR worked with Realtors® across the country and succeed with the following results:

- Succeed in removing the repayment requirement for 2009.
- The credit has been extended to on or before November 30, 2009 and can be claimed by those who closed on homes on or after January 1, 2009. It is still repayable for 2008 purchases.
- The credit has been expanded to \$8,000. But, it is still only for first-time homebuyers.

Marsha Marsh Real Estate Services

We value our clients and make them our #1 priority and we are proud to say that approximately 86 percent of our business originates from “word of mouth” and referrals. Our reputation for excellent service and honest hard work helps to consistently surpass our goals each year. It’s rewarding to work as a family with our independent agents, helping clients with their real estate needs, purchases and sometimes just questions about the “shifting” market conditions. It is a real “team” effort and we want to include you in the winning team for all your real estate needs. Let Marsha Marsh Real Estate services be “Your trusted advisors in buying and selling real estate in Erie County.”

Recent College Graduates:

“I had an internship during my last two years of college and now I’ve accepted a job in town. Instead of renting again, my parents said they’d help with closing costs – interest rates were never this low. Now I can use the tax credit to purchase new furniture. I’m sure glad I kept an eye on my credit through school too, because it helped me save money on my mortgage and insurance”.



How it all works

The new credit is an \$8,000 refundable tax credit (or up to 10% of the purchase price).

Example: If a property is \$75,000, the credit is only \$7,500. (Assume a property over \$80,000 for the rest of this information).

Refundable means that if your total tax liability in the given year is less than \$80,000, the IRS will send a refund for the balance.

Refundability – Why it's important

Many taxpayers do not have tax liability that exceed \$8,000.

Example: According to the 2008 IRS tax tables:

- A single filer would need \$46,600 in taxable income to have \$8,000 in tax liability.
- A couple would need \$58,600 in taxable income to have \$8,000 in tax liability.
- Those with less tax liability will in most cases get a refund meaning they get the full value of the credit.

Who cannot take the credit?

- If your income exceed the phase-out range.
Example: Joint filers with Modified Adjusted Gross Income (MAGI) of \$170,000 and above and other taxpayers with MAGI of \$95,000 and above.
- If you buy your home from a close relative. This includes your spouse, parent, grandparent, child or grandchild.
- If you stop using your home as your main home.
- If you sell your home before the end of three years.
- If you are a nonresident alien.

First-Time Homebuyer Definition

Defined as someone who did not own another main home at any time during the three years prior to the date of purchase.

Example: If you bought a home on January 15, 2009, you cannot take the credit for that home if you owned, or had an ownership interest in, another home at any time from January 15, 2006 through January 15, 2009.

So if the last time you owned a home was 2005, you are eligible for the credit even though it is really not your "first" home.

For married joint filers, both must meet the first-time homebuyer test to take the credit on a joint return.

Income Limits

TYPE	INCOME LIMIT	PHASE OUT START
Single Filers	\$95,000	\$75,000
Married Filers	\$170,000	\$150,000

This means that for singles making over \$75,000 and couples making over \$150,000, the credit is proportionately reduced as incomes approach \$95,000 and \$170,000 respectively. So if a couple makes \$165,000, the excess amount is used to create a fraction $15,000/20,000$ (.75) times the credit amount. 75% of \$6,000 of the credit would be disallowed. They would still get a \$2,000 credit.

The Home

Must be the "main home" i.e. principal residence. Which is generally considered to be the home where you spend 50% or more of your time. It can be a condo, single family detached, co-op townhouse or something similar.

The home must be located in the United States.

Vacation homes and rental properties are not eligible.

For new construction, the "purchase date" is the date you occupy the home. The move in date must be on or before December 1, 2009.

Why use a REALTOR®?

Only real estate licensees who are members of the NATIONAL ASSOCIATION OF REALTORS® are properly called REALTORS®. They are committed to treat all parties to a transaction honestly. REALTORS® subscribe to a strict code of ethics and are expected to maintain a higher level of knowledge of the process of buying and selling real estate. An independent survey reports that 84% of home buyers would use the same REALTOR® again.

Real estate transactions involve one of the biggest financial investments most people experience in their lifetime. Transactions today usually exceed \$100,000. Considering the small upside cost and the large downside risk, it would be foolish to consider a deal in real estate without the professional assistance of a REALTOR®.



I used to own a home, but I am now renting:

If you have owned a home in the past but have been renting for over three years, you might be eligible for the \$8,000 first-time homebuyer credit. This is the first time the government is offering up to \$8,000 in tax credits to buyers and it is scheduled to end on December 1st, 2009. Don't wait until the fall to make the move! Interest rates are low, and now is a great time to stop paying your landlords mortgage and start building equity in your own home.

Call Marsha Marsh Real Estate Services today to spend 1 hour with us to get you on track for your \$8,000 tax credit! 814.866.8840



Recapture 3-year Residency

If the home is sold prior to three year of ownership, *the tax credit must be repaid*. This is an improvement from the prior credit. That credit needed to be repaid in total over 15 years or the balance had to be repaid on sale.

This provision is designed to prevent flipping homes in order to get the credit.

Other provisions

The new credit is available to residents of the District of Columbia.

Purchases who utilize state/local revenue bond financing can now use the credit.

Purchasers who bought before January 1, 2009 are still subject to the terms of the repayable credit.

When can you claim the credit?

It can be claimed on your 2008 tax return (to be filed by April 15, 2009), an amended 2008 tax return, or your 2009 tax return.

NAR and industry partners tried to get the credit made available at closing but policy makers balked. In addition, it was explained that even if a system could be devised, it would delay closings by several weeks.

Conclusion

The new credit is greatly improved compared to the old credit.

It is true credit and does not need to be repaid as long as you occupy the home for three years.

NAR estimates that hundreds of thousands of potential buyers will take advantage of the credit.

For more information on the credit and the 2009 stimulus legislation [CLICK HERE](#) or consult your tax adviser.

This information is accurate based on information available as of February 19, 2009. As with any tax law change, check with a tax adviser if there are any questions regarding using this provision.



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Why Buyers choose us

Your home is probably the biggest purchase your family will ever make, and it involves many decisions that go beyond simply choosing one you like.

As top Erie, Millcreek and Fairview area real estate agents, here is how we will guide you through the entire process, from viewing homes and financing, to making sure the final contract is in your best interest:

- **You will have full access to ALL homes available** on the Erie, Millcreek and all of the Erie County market, even listings not yet on the MLS, through our professional Pennsylvania real estate affiliations.
- **Our expert local knowledge** of the Erie, Millcreek and the Erie County area should be invaluable to you, not just in terms of real estate, but also schools, neighborhoods, the local economy, and more.
- Every local real estate market absolutely has its own trends and opportunities. This can vary greatly, even one neighborhood to the next. Erie, Millcreek and Fairview is no different! It's our job to **steer you into opportunities and out of traps.**
- What is the true market value of the home you are interested in? Is it priced too high? Is it a bargain that you should jump on? We help home buyers make decisions like this every day, and we'll **make sure that YOU get the best value for your money.**
- Negotiating with sellers can be stressful. **We will help you negotiate**, so that the final contract includes your best possible terms and conditions.
- **You should know absolutely everything about the property you are buying!** You and a member of my team or I will view every home that you are interested in, together. And prior to closing we will make you fully aware of any and all inspections available to you.
- **Have confidence when signing documents.** Contracts are full of complicated terms and clauses that can greatly affect your future life in your new home. We will give you the full benefit of our real estate knowledge and experience.

Let Marsha Marsh Real Estate Services represent your best interests in your search for a new home in the Erie, Millcreek and the Erie County area.

Call today for a FREE Buyer Consultation!
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