



What Could You Do With An Extra \$8,000?

FREE REPORT

How To Keep from Leaving \$8,000 at the Closing Table

1. *Who can get the tax credit?*

If you are a first-time home buyer purchasing a new home or a resale--you are eligible for the tax credit. The purchase must take place on or after January 1, 2009 and before December 1, 2009 to qualify for the tax credit. As it applies to the tax credit, the purchase date is the date when the home closes and the title to the property transfers to the home owner.

2. *What is the definition of a first-time home buyer?*

The tax credit law defines a "first-time home buyer" as a buyer who has not owned a principal residence during the three-year period prior to the purchase. If you are married, both spouses cannot have owned a home.

For example, if you didn't own a home but your spouse did, you do not qualify. For unmarried purchasers, the credit amount can be given to any buyer who qualifies as a first-time buyer, for instance, if a parent jointly purchases a home with a son or daughter. If you owned a vacation home or rental property not used as a principal residence you are not disqualified as a first-time home buyer.

3. *How do you know how much of a credit you are getting?*

The tax credit is 10 percent of the home's purchase price, however, there is a maximum \$8,000 credit.

4. *Does your income matter when claiming the tax credit?*

The full tax credit amount is given to buyers with a modified adjusted gross income (MAGI) of less than \$75,000 for single taxpayers and \$150,000 for married taxpayers filing a joint return. For taxpayers with MAGI of more than \$95,000 (single) or \$170,000 (married) the credit is reduced to zero. Taxpayers between these figures are prorated accordingly.

5. *What is "modified adjusted gross income"?*

Modified adjusted gross income or MAGI is defined by the IRS.

6. *If my modified adjusted gross income is above the limit, do I qualify for any tax credit?*

Possibly. It depends on your income.

7. *Can you tell me how the partial tax credit is determined?*

There is a \$20,000 difference between those who are eligible for a full tax credit and those where the

credit is reduced to zero. If you take the amount you are over the limit by and divide it by the 20,000, this will give you the percentage that you are over the limit by. Subtract that number from 100% and then multiply it times the \$8,000. That will give you your tax credit amount.

For example: A married couple has a modified adjusted gross income of \$165,000. Their income exceeds \$150,000 by \$15,000. Dividing \$15,000 by \$20,000 yields 0.75. This means they are over the limit by 75% and so are eligible for a tax credit of 25%. Multiplying \$8,000 by 0.25 shows that the buyer is eligible for a partial tax credit of \$2,000.

Please remember that this is an example. You should always consult your tax advisor.

8. How is this home buyer tax credit different from last years (2008)?

The most significant difference is that this tax credit does not have to be repaid. This tax incentive is a true tax credit. But home buyers must use the residence as a principal residence for at least three years or face having to repay it. Certain exceptions apply.

9. How do I claim the tax credit? Do I need to complete a form or application?

You claim the tax credit on your federal income tax return. Specifically, home buyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on Line 69 of their 1040 income tax return. No other applications or forms are required, and no pre-approval is necessary. However, you will want to be sure that you qualify for the credit under the income limits and first-time home buyer tests.

10. What types of homes will qualify for the tax credit?

Any home that will be used as a principal residence qualifies for the credit. This includes single-family detached homes, attached homes (i.e. townhomes and condominiums), manufactured homes (also known as mobile homes), modular homes and houseboats. If it qualifies for the capital gains tax on a primary residence, it qualifies for this.

11. I read that the tax credit is "refundable." What does that mean?

It means that the credit can be claimed even if the taxpayer has little or no federal income tax liability to offset.

For example, if you owe \$6,000 in taxes and had \$4,500 in taxes withheld for the year you still owe \$1,500 in taxes. You would receive a check from the government for \$6,500. ($\$8,000 - \$1,500 = \$6,500$.)

12. I purchased a home in early 2009 and have already filed to receive the \$7,500 tax credit on my 2008 tax returns. How can I claim the new \$8,000 tax credit instead?

You may file an amended 2008 tax return with a 1040X form. You should consult with a tax advisor to ensure you file this return properly.

13. I hired a contractor to construct a home on a lot that I already own. Do I still qualify for the tax credit?

Yes. The "purchased" date is the date the owner first occupies the house. The date of first occupancy must be on or after January 1, 2009 and before December 1, 2009.

In contrast, for newly-constructed homes bought from a home builder, eligibility for the tax credit is determined by the settlement date.

14. Can I claim the tax credit if I finance the purchase of my home under a mortgage revenue bond (MRB) program?

Yes. The tax credit can be combined with the MRB home buyer program. Note that first-time home buyers who purchased a home in 2008 may *not* claim the tax credit if they are participating in an MRB program.

15. I live in a district where I am already receiving a first time home buyer credit (Washington D.C.) Can I claim both credits?

No. You can claim only one.

16. I am not a U.S. citizen. Can I claim the tax credit?

Consult your tax accountant. If you are NOT a nonresident alien (as defined by the IRS), have not owned a principal residence in the past three years and meet the income limits you may be eligible to claim the tax credit for a qualified home purchase..

17. Is a tax credit the same as a tax deduction?

No. A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. That means that a taxpayer who owes \$8,000 in income taxes and who receives an \$8,000 tax credit would owe nothing to the IRS.

A tax deduction is subtracted from the amount of income that is taxed. Assuming the same \$8,000 tax liability from above, a taxpayer in the 33 percent tax bracket would have their liability reduced from \$8,000 to \$5,360. (\$8,000 minus 33%).

18. I bought a home in 2008. Do I qualify for this credit?

No, but you may qualify for another tax credit if you bought your first home between April 9, 2008 and January 1, 2009.

19. Is there any way for a home buyer to get the money before they file their 2009 tax return?

Yes. If you believe you will qualify for the tax credit you can reduce your withholding taxes on your paycheck by adjusting your withholding amount on your W-4 via your employer or through your quarterly estimated tax payment. You can put this saved money aside to use as a down payment.

IRS Publication 919 contains rules and guidelines for income tax withholding. Please note that if the qualified purchase does NOT occur, then you will be liable for repayment to the IRS of income tax and possible interest charges and penalties. Consult your account prior to doing this.

20. If I'm qualified for the tax credit and buy a home in 2009, can I apply the tax credit against my 2008 tax return?

Yes. The law allows taxpayers the opportunity to treat qualified home purchases in 2009 as if the purchase occurred on December 31, 2008.

Taxpayers buying a home who wish to claim it on their 2008 tax return, but who have already submitted their 2008 return to the IRS, may file an amended 2008 return claiming the tax credit. You should consult with a tax professional to determine how to arrange this.

21. For a home purchase in 2009, can I choose whether to treat the purchase as occurring in 2008 or 2009, depending on in which year my credit amount is the largest?

Yes. You can choose the year that will give you the greatest tax credit based upon your MAGI.

To find out how you can claim your free \$8,000 tax credit and to get approved for your new home, call 123EzHomeLoan at (800) 811-1929.