

Expansion and Extension of Homebuyer Tax Credit

The U.S. Senate and House of Representatives approved the Worker, Homeownership, and Business Assistance Act of 2009. Included in the legislation is an extension of the first-time homebuyers tax credit and an extension of conforming loan limits. New in this legislation is a \$6,500 tax credit for homebuyers who have been in their current residence for five years or more. This legislation is being considered in the U.S. House of Representatives today, Nov. 5, 2009. If the legislation is approved, the president is expected to sign it into law over the weekend.

The action of Realtors[®] who responded to the National Association of Realtors[®] Call for Action made a tremendous impact of the movement of this legislation.

Tax credit

Under current law, the First-Time Homebuyer Tax Credit is a refundable tax credit available to an individual buying a principal residence for the first time.

The credit phases out for individuals with income between \$75,000 and \$95,000, and for joint filers with income between \$150,000 and \$170,000. For purchases made on or after Jan. 1, 2009 and before Dec. 1, 2009, the tax credit is equal to the lesser of \$8,000 or 10 percent of the purchase price of the residence.

Individuals must repay the credit only if the principal residence is disposed of within 36 months of purchase. For purchases made on or after April 9, 2008 and before Jan. 1, 2009, the tax credit is equal to the lesser of \$7,500 or 10 percent of the purchase price of the residence. Individuals who purchased homes in 2008 are also required to repay the credit over 15 years. This proposal would extend the availability of a homebuyer credit to homes under a binding contract before April 30, 2010, allowing 60 days to close.

The key modifications are as follows:

- 1) The credit is phased out for individuals with income above \$125,000 and for joint filers with income above \$225,000.
- 2) An \$8,000 credit is available to all first-time homebuyers. The tax credit will be extended upon enactment until April 30, 2010.
- 3) A \$6,500 credit is available to homebuyers who have been in their current residences for the last five years or more. This will go into effect on the legislation enactment date.
- 4) The credit is available only for the purchases of principal residences with purchase prices of \$800,000 or less.
- 5) The legislation incorporates a proposal in the Service Members Home Ownership Tax Act of 2009. This proposal eliminates the recapture requirement for military personnel, including members of the Foreign Service and intelligence community, who were forced to sell as a result of an official extended duty of

service. It allows military personnel serving outside the U.S. for at least 90 days in 2009 or 2010 one additional year to qualify for the credit.

6) The proposal includes anti-fraud language.

7) The proposal also includes math-error authority for the Internal Revenue Service (IRS).

Conforming Loan Limits

The extension of the current Federal Housing Administration (FHA) and conforming loan limits (125 percent of median home price up to \$729,750) through Dec. 31, 2010 has been added to the legislation; the president should sign this into law over the weekend. This will have an enormous impact on the availability of loans in higher-priced areas.

More information will be made available after the final legislation passes. For more information, contact Government Affairs Director Elizabeth Barnhardt at elizabeth.barnhardt@carolinahome.com.