Feature	First-Time Homebuyer Tax Credit	Repeat Homebuyer Tax Credit
Amount of Credit	The amount of the tax credit is the lesser of 10% of the cost of the home or $8,000.	The amount of the tax credit is the lesser of 10% of the cost of the home or $6,500.
Eligible Homeowner	Must not have owned a principal residence in the three years prior to purchase of the eligible property.	Must have lived in current principal residence consecutively for five of the previous eight years.
Eligible Property	Any single-family home (including a condo or townhouse) may be an eligible property under the tax credit, provided it will be used as the homebuyer's principal residence.	
Maximum Price of Purchased Home	$800,000	
Income Limits	To be eligible for the full tax credit, the homebuyer must have an adjusted gross income of no more than $125,000 if filing singly or $225,000 if filing jointly. Homebuyers with higher incomes (up to $145,000 and $245,000 respectively) are eligible for a reduced credit.	
Repayment	There is no repayment of the tax credit by the homebuyer. The homebuyer can claim the credit to reduce their tax burden. If the $8,000 or $6,500 is greater than the tax owed, then the homebuyer will get a refund check for the difference. However, if the eligible property is resold within three years of purchase, the entire amount of the tax credit will be recaptured on the sale.	
Effective Date	The first-time and repeat homebuyer federal income tax credits are effective for purchases between now and April 30, 2010, provided the purchase is closed by July 1, 2010.	

Frequently Asked Questions About The 2009-2010 Homebuyer Tax Credit Program

The Worker, Homeownership, and Business Assistance Act of 2009 has extended the tax credit of up to $8,000 for qualified first-time home buyers while introducing a new credit of up to $6,500 for repeat buyers purchasing a principal residence.

The updated tax credit applies to sales occurring from now until April 30, 2010. (However, in cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010, will qualify.)

For sales occurring after November 6, 2009, the Act establishes income limits of $125,000 for single taxpayers and $225,000 for married couples filing joint returns.

The following questions and answers provide basic information about the tax credit. If you have questions specific to your income or tax status, we encourage you to consult a qualified tax advisor or legal professional about your unique situation.

1. How much is the first-time homebuyer tax credit?
The tax credit for first-time homebuyers is $8,000 for qualifying home purchases, or 10% of the purchase price, whichever is lower.

2. How much is the tax credit for repeat buyers?

The tax credit for repeat buyers is $6,500 for qualifying home purchases, or 10% of the purchase price, whichever is lower.

3. How does a tax credit work? How is it different than a tax deduction?
Every dollar of a tax credit reduces one's income tax by a dollar. Once a qualified homebuyer has calculated the total income tax he/she owes, the tax credit will be applied to reduce his/her total tax bill. So, for a first-time homebuyer who has a total tax liability of $9,500, the $8,000 credit would wipe out all but $1,500 of the tax due. ($9,500 - $8,000 = $1,500.)

This tax credit is far preferable to an income tax deduction, which only reduces a percentage of taxable income (as opposed to being a dollar-for-dollar reduction of tax owed).

4. When does a home have to be purchased to qualify for the updated tax credit?
The homebuyer tax credit now applies to home purchases made between November 6, 2009, and April 30, 2010. If a written binding contract to purchase is in effect as of April 30, 2010, the credit will be extended to home purchases closed by July 1, 2010.

5. What properties qualify for the homebuyer tax credit?
Principal residences with a purchase price of up to $800,000 qualify. Qualifying property types include single family-detached housing, condos or co-ops, townhouses or any similar type of new or existing dwelling. Properties located outside of the United States are not eligible for the credit.

6. What is a "Principal Residence?"•
A principal residence is a home in which the owners spend most (generally defined as more than 50%) of their time.

7. Who is eligible for the first-time homebuyer credit?
A "first-time homebuyer" is someone who has not had any ownership interest in a home in the three years prior to the day of their qualifying home purchase.

8. Who is eligible for the repeat buyer credit?
A "repeat buyer" is someone who has occupied a principal residence consecutively for five of the eight years prior to the day of their qualifying home purchase.

9. Are there income restrictions to qualify for the tax credit?
Yes. To be eligible for the full tax credit - the $8,000 first-time buyer or the $6,500 repeat buyer credit - a homebuyer must have an adjusted gross income of no more than $125,000 (if filing as Single or Head of Household) or $225,000 (if filing a joint return). Homebuyers with incomes above those levels - up to $20,000 above - are eligible for a reduced credit.

10. How is my "income" determined?
For most individuals, income is defined and calculated in the same manner as their Adjusted Gross Income (AGI) on their 1040 income tax return. AGI includes items like wages, salaries, interest and dividends, pension and retirement earnings, rental income and a host of other elements. AGI is the final number that appears on the bottom line of the front page of an IRS Form 1040.

11. What if I am eligible for the $8000 first-time homebuyer credit but my entire income tax liability for the year is only $6000?
This tax credit is what's called a "refundable" credit. Thus, if the eligible purchaser's total tax liability was $6000, the IRS would send the purchaser a check for $2,000. (The refundable amount is the difference between the $8,000 credit amount and the amount of tax liability, so $8,000 - $6,000 = $2,000.)

12. I know there is no repayment requirement for the current tax credit. Will I ever have to repay any of the credit back to the government?
One situation *does* require a recapture payment back to the government. If you claim the credit but then sell the property within three years of the date of purchase, you are required to pay back the full amount of any credit, including any refund you received from it. A few exceptions apply. This provision was designed to discourage flipping.

13. How do I apply for the credit?

There is no pre-purchase authorization, application or similar approval process. All eligible purchasers simply claim the credit on their IRS Form 1040 tax return. The credit will be reflected on Form 5405 that will be attached to the 1040. Form 5405 can be found at www.irs.gov.

14. So I can't use the credit amount as part of my down payment?
No. Congress tried hard to devise a mechanism that would make the funds available for closing costs, but found that pre-funding would require cumbersome processes that would, in effect, bring the IRS into the purchase and settlement phase of the transaction.

15. So there is no way to get any cash flow benefits before I file my tax return?
Yes, there is. Any first-time homebuyers who believe they are eligible for all or part of the credit can modify their income tax withholding (through their employers) or adjust their quarterly estimated tax payments. Individuals subject to income tax withholding would get an IRS Form W-4 from their employer, follow the instructions on the schedules provided and give the completed Form W-4 back to the employer. In many cases their withholding would decrease and their take-home pay would increase. Those who make estimated tax payments would make similar adjustments.

16. What if I die or get divorced or my property is ruined in a natural disaster within the 3 years?
The repayment rules are eased for many circumstances. If the homeowner who used the credit dies within the first three years of ownership, there is no recapture. Special rules make adjustments for people who sell homes as part of a divorce settlement, as well. Similarly, adjustments are made in the case of a home that is part of an involuntary conversion (property is destroyed in a natural disaster or subject to condemnation by eminent domain by an authorized agency) within the first three years.

17. I have a home under construction. Am I eligible for the credit?
Yes, so long as you actually occupy the home on or before April 30, 2010.

NOTE: This information is for general guidance only. It should not be construed as legal, tax or investment advice. Before making any decision or taking any action on this information, you should consult a qualified professional adviser.