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More on the Homebuyer Credit – Not Just “First Time Homebuyer Credit”

By now, most people realize that the Congress granted a credit for the purchase of a home. However, because of the changes in the program from its inception, many people are still confused about the details of the credit and various factors involved in the credit. This Newsletter will attempt to answer the questions.

There are two types of credit:

A. The first-time homebuyer credit. Any home purchased or constructed as your principal residence and located in the United States qualifies. You must buy the home after April 8, 2008 and before May 1, 2010 (with closing to take place before July 1) to qualify for the credit. For a home that you construct, the purchase date is considered to be the first date you occupy the home.

The credit is 10 percent of the purchase price of the home, with a maximum available credit of \$8,000 in 2009 for either a single taxpayer or a married couple filing a joint return, but only half of that amount for married persons filing separate returns.

The credit is reduced if your income exceeds \$75,000 if you are single, or \$150,000 if you are married filing jointly.

B. New principal residence credit. This credit is available to people who purchase or construct a new principal residence after living in what would become their former home. To qualify, a person must have owned and lived in the former home as a principal residence for the previous five years.

The credit is 10 percent of the purchase price, with a maximum credit of \$6,500 for married couples filing a joint return.

The new principal residence must be your principal residence for 36 months from the date of occupancy. If the home fails to be your principal residence for 36 months after occupancy, the tax credit claimed on construction must be repaid to the IRS.

The credit is reduced if your income exceeds \$125,000 if you are single or exceeds \$245,000 if you are married filing jointly.

Both credits are fully refundable. Meaning if the credit exceeds your tax for 2009 or 2010 (whichever year you claim the credit), you will receive a refund of the credit.

You will not qualify for either credit if you purchase from a relative. However, a step-relative is usually not considered related to you

Individuals under age 18 will not qualify for the first-time homebuyer credit (credit A above) if the home was purchased after November 6, 2009 nor will an individual under age 18 qualify for the new principal residence credit (credit B above).

Some common questions that are arising:

Q. If a person purchases a mobile home (manufactured home) with land and qualifies for the credit, is the amount of the credit based on the combined cost of the home and land?

A. Yes. The first-time homebuyer credit is 10% of the purchase price of a principal residence. The total purchase price (mobile home and land) is used to determine the amount of the first-time homebuyer credit.

