

A Guide to the American Recovery and Reinvestment Act of 2009

Submitted by the Richmond Association of REALTORS®

This February, Congress passed the American Recovery and Reinvestment Act of 2009. There are numerous provisions in this bill, several of which directly affect current homeowners or potential homebuyers. One major component of this bill is the revised version of the First-Time Homebuyer Tax Credit. Unlike the First-Time Homebuyer Tax Credit passed in 2008, the 2009 credit amount has been increased to \$8,000, and the repayment feature has been eliminated.

The First-Time Homebuyer Tax Credit is significant to today's housing market because it will encourage individuals who are not homeowners to consider buying, which will stimulate the housing market and reduce inventory over the next year.

To take advantage of the credit you must be a first-time homebuyer, which is defined as any individual who has not owned a home in the past three years. The credit is available for homes purchased on or after January 1, 2009 and before December 31, 2009. The credit amount is 10 percent of the property's cost, up to \$8,000. For example, if you purchase a home that costs \$80,000, your credit would be \$8,000.

If you have not owned a home in the past three years and are considering taking advantage of this credit, there are other restrictions to be aware of. Along with the credit only being available to first-time homebuyers, there are income restrictions. If you're an individual filing a single status, your income cannot exceed \$75,000. For those filing a joint return, income cannot exceed \$150,000. Married couples who file taxes separately are not eligible to receive individual credit. Instead, the credit will be split with each party receiving \$4,000. Likewise, two single persons who purchase a home together will be able to split a credit.

The home purchased must be located in the United States in order to be eligible for the tax credit. If you have a mortgage revenue bond offered by a state housing agency for financial assistance, you are still eligible to receive the credit. If you sell your home within three years of purchase, the entire amount of the credit will be recaptured upon the sale of your home.

To receive the tax credit, you must claim it on your federal income tax return form. If your home was purchased between January 1 and April 15, 2009 and you have already filed your 2008 tax return, you may file an amended 2008 tax return on Form 1040X. You also have the option of claiming the credit on your 2009 tax return, due April 15, 2010.

The American Recovery and Reinvestment Act of 2009 has many components designed to assist both current homeowners and first-time homebuyers. It is helping owners facing foreclosure to refinance their mortgages, and giving first-time buyers the opportunity to make their dreams of homeownership a reality. For more information on the American Recovery and Reinvestment Act of 2009, please visit

http://www.realtor.org/government_affairs/gapublic/american_recovery_reinvestment_act_home.

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