

Just Approved by Congress!

The **NEW** \$6,500 and \$8,000 homebuyer cash credits

With new federal cash credits available to most homebuyers and interest rates at 40-year-lows, now may be the best time in history to buy a house.

As part of the plan to further stimulate the U.S. housing market, Congress recently passed new legislation that extended the \$8,000 first-time homebuyer cash credit through April 30th. It also established a new credit of up to \$6,500 for current home owners seeking to purchase a new home.

Add that to the \$1,500 energy tax credit and the total tax credit available to homebuyers can be as much as \$9,500.

How does the cash credit work for first-time homebuyers?

For the first-time buyer, the total credit is equal to up to 10 percent of the cost of a home, up to a maximum of \$8,000. The buyer doesn't need to repay the credit if he/she occupies the home for three years or more. First-time homebuyers are defined as individuals or joint filers who have not owned a home three years prior to the day of purchase.

Income limits have been significantly increased for first-time buyers over the 2009 first-time tax credit. However, both credits gradually phase out for individuals with annual incomes above \$125,000 and for joint filers with incomes above \$250,000.

How does the cash credit work for current homeowners?

A federal homebuyer credit of up to \$6,500 is now available for current homeowners looking to buy a new

home. On top of the tax credit, most current homeowners have been able to negotiate a significantly lower price for their new home, usually one that more than offsets any loss on the sale of their current homes.

The credit is equal up to 10 percent of the purchase price, up to \$6,500, for homes priced \$800,000 or less (vacation homes are excluded) that will become the buying taxpayer's principal residence. Current homeowners must have lived in their current principal residence for at least five consecutive years of the last eight years prior to the date the replacement home is purchased.

How to apply for the credit

The two tax credits are good on home purchases made through April 30, 2010 and closed on by June 30, 2010.

You can claim the credit on either your 2009 or 2010 return. The credit reduces your tax bill or increases your refund, dollar for dollar. The credit is claimed using IRS form 5405.

Act Before April 30th!

