

Tax Credits Set to Expire

Military Earn Year Extension

>> Military personnel, members of the Foreign Service, and employees of the intelligence community have an extra year, through June 2011, to buy a principal residence in the U.S. and claim the tax credit. The deadline for entering a binding contract is April 30, 2011; the deadline to close a purchase is June 30, 2011. The extension applies to any individual (and, if married, the individual's spouse) who serves on qualified official extended duty service outside of the United States for at least 90 days during the period beginning after Dec. 31, 2008, and ending before May 1, 2010. See www.military.com/Finance/content/0,15356,205662,00.html for more information.

Note: This page, which contains updated income thresholds and deadlines, is a revised version of the print article that appeared in the March/April issue of *California Real Estate* magazine.

One of life's certainties is quickly approaching: your day of reckoning with the IRS. If you are seriously considering buying a home, townhome, or condominium, think—and move—faster. That's because the federal government is offering two hefty tax credits for 2010 home buyers, but these incentives are set to expire. Soon.

First-time Home Buyer Tax Credit

>> If you're in the hunt for your first home, the Obama administration and the IRS are poised to give you an \$8,000 credit (maximum, or 10 percent of the sales price, whichever is less) on your federal tax return if you enter a binding contract by April 30 and close escrow before July 1. The credit applies to homes purchased for \$800,000 or less, and the credit does not require repayment if you live in this residence for three or more years. If you or your spouse has not owned a home in the last three years, you qualify for this credit.

The full \$8,000 credit is available for married couples filing a joint return whose modified adjusted gross income is \$225,000 or less and for other taxpayers whose modified adjusted gross income is \$125,000 or less. You must be 18 on the date of purchase.

Existing Homeowner Tax Credit

>> If you already own a home, but you want to move up, there's something for you, too. Congress also granted existing homeowners a tax credit (\$6,500 maximum, or 10 percent of the purchase price, whichever is less).

To be eligible for this credit, you must have lived in your current home for five consecutive years out of the last eight and must purchase a new or existing home by April 30, 2010. You do not need to sell your current home to qualify for this credit. Single buyers with

incomes up to \$125,000—and married couples with incomes up to \$225,000—may receive the maximum tax credit. Buyers with a written binding contract on April 30, 2010, will have until June 30, 2010, to close.

The Catch?

>> There's no catch. Neither tax credit requires repayment if you occupy the home for three years or longer. Buyers who combine these credits with low interest rates and low median sales prices—30- to 60-percent declines from peak values in some markets—will have a once-in-a-generation chance to purchase more home for their dollars.

Contact a California REALTOR® to learn more about the credits and your home-buying opportunities. ♦

Paula Hess is senior editor for California Real Estate magazine.

Credit Facts

- **FIRST-TIME HOME BUYER TAX CREDIT:** 10 percent of sales price or \$8,000, whichever is less
DEADLINE: April 30, 2010, to enter a binding contract; June 30, to close.
- **EXISTING HOMEOWNER TAX CREDIT:** 10 percent of sales price or \$6,500, whichever is less
DEADLINE: June 30, 2010, for repeat buyers
- **CLAIM IT:** Use IRS Form 5405 to claim either credit; the IRS requires a copy of your HUD-1 Settlement Statement to verify purchase.

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