



Frequently Asked Questions

About the Move-Up/Repeat Home Buyer Tax Credit

The Worker, Homeownership, and Business Assistance Act of 2009 has established a tax credit of up to \$6,500 for qualified move-up/repeat home buyers (existing home owners) purchasing a principal residence after November 6, 2009 and on or before April 30, 2010 (or purchased by June 30, 2010 with a binding sales contract signed by April 30, 2010).

The following questions and answers are from www.federalhousingtaxcredit.com and provide basic information about the tax credit. If you have more specific questions, we strongly encourage you to consult a qualified tax advisor or legal professional about your unique situation.

Who is eligible to claim the \$6,500 tax credit?	Qualified move-up or repeat home buyers purchasing any kind of home are eligible to claim this credit.
What is the definition of a move-up or repeat home buyer?	The law defines a tax credit qualified move-up home buyer ("long-time resident") as a home owner who has owned and resided in a home for at least five consecutive years of the eight years prior to the purchase date. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse. Repeat home buyers do not have to purchase a home that is more expensive than their previous home to qualify for the tax credit.
How is the amount of the tax credit determined?	The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$6,500. Purchases of homes priced above \$800,000 are not eligible for the tax credit.
Are there any income limits for claiming the tax credit?	Yes. The income limit for single taxpayers is \$125,000; the limit is \$225,000 for married taxpayers filing a joint return. The tax credit amount is reduced for buyers with a modified adjusted gross income (MAGI) above those limits. The phaseout range for the tax credit program is equal to \$20,000. That is, the tax credit amount is reduced to zero for taxpayers with MAGI of more than \$145,000 (single) or \$245,000 (married) and is reduced proportionally for taxpayers with MAGIs between these amounts.
How is this home buyer tax credit different from the tax credit that Congress enacted in July of 2008? How is this different than the rules established in early 2009?	The previous tax credits applied only to first-time home buyers and were for different amounts of money.
How do I claim the tax credit? Do I need to complete a form or application? Are there documentation requirements?	You claim the tax credit on your federal income tax return. Specifically, home buyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on line 67 of the 1040 income tax form for 2009 returns (line 69 of the 1040 income tax form for 2008 returns). No other applications are required, and no pre-approval is necessary.
HUD is now allowing "monetization" of the tax credit. What does that mean?	<p>It means that HUD allows buyers using FHA-insured mortgages to apply their anticipated tax credit toward their home purchase immediately rather than waiting until they file their 2009 or 2010 income taxes to receive a refund. These funds may be used for certain downpayment and closing cost expenses.</p> <p>Under HUD's guidelines, non-profits and FHA-approved lenders are allowed to give home buyers short-term loans of up to \$8,000. The guidelines also allow government agencies, such as state housing finance agencies, to facilitate home sales by providing longer term loans secured by second mortgages.</p>

Please see www.FederalHousingTaxCredit.com for more detailed answers and more FAQ.

Source: www.FederalHousingTaxCredit.com

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