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New \$6,500 federal tax credit for “move-up” home buyers may benefit you

The federal government recently extended and expanded the federal tax credit for home buyers. The tax credit now concludes June 30, 2010 instead of Nov. 30, 2009, and also includes existing homeowners who meet certain qualifications.

MAKING SENSE OF THE STORY FOR CONSUMERS

- Current homeowners are eligible for a \$6,500 federal tax credit if they have lived in their current home for a consecutive five out of the last eight years, and the adjusted household income does not exceed \$125,000 for single files or \$225,000 for joint filers.
- The expanded tax credit went into effect Nov. 6, the day President Obama signed the bill. Homes that close escrow between Nov. 6, 2009 and June 30, 2010 are eligible to apply for the tax credit.
- The legislation does not require homeowners to sell their current residence; however, the new home must be the primary residence and the price of the home must not exceed the limit of \$800,000. Homeowners who plan to retain their current home as a rental or second home are advised to move into the new home the day escrow closes so there is no question it was the principal residence at the time of the tax credit.
- Almost all housing types are eligible, including new and existing single-family homes, condominiums, manufactured or mobile homes, and boats that serve as the owner's principal residence. Second homes and investment properties are not eligible.
- Home buyers in 2009—those who close after Nov. 6, but no later than Dec. 31, can claim the \$6,500 credit on their 2009 federal tax returns, or amend their 2008 returns. Similarly, eligible buyers in 2010 will be able to file for the credit on their 2009 returns or 2010 returns. All home buyers should talk to a tax advisor regarding timing decisions.

To read the full story, please click here:

<http://www.latimes.com/classified/realestate/news/la-fi-harney15-2009nov15.0.7738021.story>