



**REDMAN HOMES OF INDIANA
AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009**



\$8,000 HOMEBUYER TAX CREDIT AT A GLANCE

- The tax credit is for first time homebuyers. (Anyone who has not owned a home in the last three years is also eligible.)
- The tax credit does not have to be repaid.
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.
- The credit is available for homes purchased on or after January 1, 2009 and before December 1, 2009.
- Single taxpayers with modified adjusted gross income up to \$75,000 and married couples with modified adjusted gross incomes up to \$150,000 qualify for the full tax credit.
- Any home used as the taxpayer's principal residence qualifies – **including all manufactured and modular housing.**

FREQUENTLY ASKED QUESTIONS

Who is eligible to claim the tax credit?

First-time homebuyers purchasing a principal residence, either new or resale, are eligible for a tax credit of up to \$8,000. To qualify for the tax credit, a home purchase must occur on or after January 1, 2009 and before December 1, 2009. For the purposes of the tax credit, the purchase date is the date when closing occurs and the title to the property transfers to the homeowner.



What is the definition of a first-time homebuyer?

The law defines "first-time home buyer" as a buyer who has not owned a principal residence during the three-year period prior to the purchase. For married taxpayers, the law reviews the homeownership history of both the homebuyer and his/her spouse.

Are there any restrictions with regards to Manufactured Homes?

Any home that will be used as a principal residence will qualify for the credit including HUD code and modular homes. This also includes homes placed on private land or in a land-lease community, a condominium, or a cooperative. Homes financed using a personal property loan are also eligible.

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 \$8,000.

What exactly is a tax credit?

A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. A taxpayer who owes \$8,000 in income taxes and who receives an \$8,000 tax credit would owe nothing to the Internal Revenue Service.

More Frequently Asked Questions continued on the next page. . .

What does it mean that the credit is “refundable”?

The fact that the credit is refundable means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically this involves the government sending the taxpayer a check for a portion or even the entire amount of the refundable tax credit. For example, if a qualified homebuyer has a federal income tax liability of \$6,000 and had tax withholdings of \$7,000 for the year, then without the tax credit the taxpayer would be entitled to a tax refund of \$1,000. Suppose now that the taxpayer qualified for the full \$8,000 homebuyer tax credit. As a result, the taxpayer would actually receive a check for \$9,000 (\$8,000 plus the \$1,000 normal overpayment).

How is this homebuyer tax credit different from the last tax credit that Congress enacted in July of 2008?

This new provision is a true “credit” and does not have to be repaid, unlike the previous one, which was essentially an interest-free loan. However, homebuyers still must use the residence as a principal residence for at least three years or face recapture of the tax credit amount. Certain exceptions apply.



How do homebuyers claim the tax credit?

Homebuyers will claim the tax credit on their federal income tax return. Specifically, homebuyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on Line 69 of their 1040 income tax return. No other applications or forms are required, and no pre-approval is necessary.

If I’m qualified for the tax credit and buy a home in 2009, can I apply the tax credit against my 2008 tax return?

Yes. The law allows taxpayers to choose to treat qualified home purchases in 2009 as if the purchase occurred on December 31, 2008. This means that the 2008 income limit (MAGI) applies and accelerates when the credit can be claimed (tax filing for 2008 returns instead of for 2009 returns). One benefit of this election is that a homebuyer in 2009 will know their 2008 MAGI with certainty. A second and potentially greater benefit is that a homebuyer can access the credit more quickly by claiming it on their 2008 income tax return. Taxpayers buying a home who wish to claim it on their 2008 tax return, but who have already submitted their 2008 return to the IRS, may file an amended 2008 return claiming the tax credit. Also, prospective homebuyers who believe they qualify for the tax credit are permitted to reduce their income tax withholding. Reducing tax withholding (up to the amount of the credit) will enable the buyer to accumulate cash by raising his/her take home pay. This money can then be applied to the down payment. **All homebuyers should consult with a tax professional to determine the best course of action.**

For a home purchase in 2009, can I choose whether to treat the purchase as occurring in 2008 or 2009, depending on which year my credit amount is the largest?

Yes. If the applicable income phase-out would reduce your homebuyer tax credit amount in 2009 and a larger credit would be available using the 2008 Modified Adjusted Gross Income limits, then you can choose the year that yields the largest credit amount. Again, all homebuyers should consult with a tax professional to determine the best course of action.

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