

Dear Friends of Our Firm,

The first-time homebuyer credit created by last year's housing law didn't do much to spur home sales throughout the country. But the new economic stimulus law -- the American Recovery and Reinvestment Act of 2009 -- sweetens the pot. The revamped first-time homebuyer credit applies to home purchases made after Dec. 31, 2008 and before Dec. 1, 2009.

Prior to the new law, a first-time homebuyer could claim a refundable tax credit equal to the lesser of \$7,500 or 10% of the price of a home purchased after April 8, 2008 and before July 1, 2009. A first-time homebuyer was defined as someone who has not owned a principal residence for the three years prior to the purchase. If you made a qualified purchase in 2009, you could elect to use the credit to offset your 2008 tax liability.

However, the previous version of the homebuyer credit came with a steep price attached. Unlike other tax credits, you are required to pay back the credit to the IRS in equal installments over 15 years. So the "credit" really amounts to nothing more than an interest-free loan from Uncle Sam. Plus, you have to repay the entire balance if you stop using the home as your principal residence. Other special rules governing divorces and involuntary conversions may apply.

To make matters worse, the credit phases out if your AGI for the year of the purchase exceeds \$75,000 for single filers or \$150,000 for joint filers. The phase-out ends at \$95,000 of AGI for single filers and \$170,000 for joint filers.

Now the new law spices things up. For starters, it bumps the maximum credit up to \$8,000 from \$7,500. Second, you no longer have to repay the credit so long as you continue to live in the home for at least three years following the purchase. (However, you must recapture the credit if you stop using the home as your principal residence during this three-year period.)

We can provide tax guidance if you or another family member is contemplating a home purchase or recently purchased one. Call our office at (732) 643-1003 to set up an appointment.

P.S. There's still time to elect to claim the credit on a 2008 return. But call us at (732) 643-1003 right away.