



More tax breaks for homeowners in 2009 and beyond

Homeownership and green improvements will be more affordable for more Americans in 2009, thanks to several provisions in the American Recovery and Reinvestment Act. The changes will put more money in taxpayers' pockets and allow homeowners to save thousands of dollars over the next several years.

The First-time Homebuyer Credit has been extended and increased to qualifying individuals who purchase a home in 2009 before Dec. 1. First-time homebuyers are defined as those who have never owned a principal residence or who have not owned a principal residence at any time during the three years prior to the date of purchase.

For 2008 and 2009 tax returns, the credit is equal to 10 percent of the home purchase price, up to \$8,000. It phases out when modified adjusted gross income is \$75,000 for an individual or \$150,000 for joint filers. Married taxpayers must both qualify as "first-time homebuyers" in order to receive the full credit.

Taxpayers who claimed the full \$8,000 First-time Homebuyer Credit on their 2008 federal return cannot claim it on their 2009 return. Those who have not claimed the credit should determine which year to use it based on your income. If you expect your income to decrease in 2009, it will likely make more sense to claim the credit on your 2009 return rather than your 2008 return.

The only scenario in which the credit must be paid back is if the home ceases to be the owners' principal residence within 36 months of the purchase date. Then the full credit amount must be repaid on the federal return for that tax year.

The credit was initially created to be claimed after a home is purchased, but the Obama administration is now allowing qualifying taxpayers to use it to cover certain purchasing costs. Homebuyers with mortgages backed by the Federal Housing Administration may be eligible to receive advances on the credit, which could be used for closing costs, fees and additional money for a down payment beyond the FHA's required 3.5 percent minimum.

Anyone can apply for an FHA-backed mortgage, regardless of income. However, there are limits on the size of the mortgage, and lenders may charge a fee for the credit. Some states are also offering similar programs.

The new stimulus plan also includes tax credits equal to 30 percent, up to \$1,500, for certain energy-efficient improvements to residential properties. The Residential Energy Property Credit can be claimed on 2009 and 2010 returns for improvements such as adding insulation or installing energy-efficient windows, doors, or heating and air conditioning systems. Bigger improvements involving alternative energy equipment such as solar hot water headers, geothermal heat pumps and wind turbines may be claimed on 2009 to 2016 returns under the Residential Energy Efficient Property Credit.

In addition to homeowner tax breaks, the 2009 act includes several new or increased credits and deductions. You can easily learn which provisions you may qualify for on your 2009 taxes by answering simple questions in TaxACT. Preview versions of TaxACT 2009 software will be available in October, allowing you to plan ahead and get a head start on your return. When you're ready to prepare and file your 2009 return, TaxACT will help you complete the correct forms for the credits in a matter of minutes.

Read the details of the American Recovery and Reinvestment Act of 2009 at www.IRS.gov and learn more about TaxACT at www.TaxACT.com.

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