

4 ways stimulus helps homeowners, buyers

By [Michele Lerner](#)

A refundable first-time homebuyer tax credit of up to \$8,000 is the centerpiece of four housing incentives found in the 2009 American Recovery and Reinvestment Act.

The new credit is designed to boost sales in the nation's sagging housing market.

Lawrence Yun, chief economist for the National Association of Realtors, predicts homebuyers will purchase an additional 300,000 homes in 2009 as a result of the tax credit.

"The impact will likely not be felt for at least three or four months, because it generally takes buyers that long to qualify for a mortgage and search for a home," says Yun.

The new credit improves on a first-time homebuyer credit passed in 2008, Yun says. That credit had to be paid back over a period of 15 years, making it more of a loan than a true credit.

"We think this year's tax credit will certainly have a much bigger impact because it is a true tax credit which is also refundable," Yun says. "For instance, if you owe \$1,000 in taxes and qualify for the first-time homebuyers tax credit, you will receive a tax refund of \$7,000."

Yun believes activity spurred by the new credit will help bring down housing inventory and stabilize prices.

Gibran Nicholas, chairman of the CMPS Institute, which certifies mortgage banker and brokers, says his group was in favor of a more generous tax credit.

However, he still believes the credit will have a positive impact on the housing market.

"This tax credit is more of a half-step, but at least it is in the right direction," says Nicholas.

Rules for 2009 first-time homebuyers tax credit

- Does not have to be repaid unless the home is sold within three years.
- Applies only to first-time homebuyers, defined as those who have not owned a home within the previous three tax years.
- Available only for homes purchased between Jan. 1, 2009, and Dec. 1, 2009.
- Restricted by income; phases out for individuals with an adjusted gross income of \$75,000 or above and for married couples with a combined adjusted gross income of \$150,000 or above.
- Tax credit is for up to 10 percent of the purchase price, up to a maximum of \$8,000. For example, a buyer of a \$150,000 home could receive a tax credit of a maximum of \$8,000, while a first-time buyer of a \$70,000 home would be eligible for a tax credit of \$7,000.
- The credit can be taken on 2008 taxes even when the purchase is made in 2009.

Nicholas especially likes a provision allowing homebuyers to claim their credit immediately.

"The greatest part of this tax credit is that homebuyers can take the credit on their 2008 tax return even when they have purchased the home in 2009," says Nicholas. "This acts as an immediate stimulus for a lot of people."

Homebuyers can take advantage of this filing exception in one of three ways: closing on the home prior to April 15, 2009, getting an extension to file taxes later in the year or filing an amended return.

Some state housing programs are introducing programs that allow homebuyers to access the tax credit money at settlement.