

# An Economic Boost: The 2009 Housing Tax Credit

With the implementation of the American Recovery and Reinvestment Act of 2009 signed by President Barack Obama on February 17, 2009 came several changes to the already active housing credit passed in 2008 under the Bush Administration.

Under the 2008 version, the \$7,500 tax credit acted as an interest-free loan to the recipients. The 2009 tax credit, on the other hand, increases the amount by \$500 for a total of \$8,000, and does not require the recipient to pay it back. However, the credit still raises several questions, including: Who will be able to make use of the new version of the credit and how long do buyers have to find a home and close escrow to qualify for the credit?

## HURDLES

Though the tax credit has become a credit rather than a loan, there are still many of the same regulations and eligibility hurdles for homebuyers.

The first, and perhaps the easiest, step of eligibility regulations is to purchase and close escrow on a home between January 1 and December 1, 2009. Unfortunately for those who purchased in 2008, the outdated model still applies and they must repay their \$7,500 credit. Only those who purchase within the 2009 dates will be eligible to receive the \$8,000 credit.

Another hurdle is that the homebuyer must be a first-time buyer under the 2008 definition, which defines a new homebuyer as someone who hasn't owned or co-owned a house during the three years preceding the date they close escrow on the 2009 purchase.

For example, a homebuyer who sold his or her house on October 7, 2006 will want to carefully manage their closing date of their new home so that it falls on or after October 8, 2009, but not after December 1, 2009 in order to qualify for the tax credit. That may seem like a hassle, but it may be an \$8,000 decision.

Homebuyers in 2009 will also face an income hurdle in order to qualify for the credit. Single taxpayers must have a household income of under \$75,000, and couples who are filing jointly will need to have an income of less than \$150,000.

Finally, homebuyers must plan to use their new house as their primary residence in order to qualify.

## ECONOMIC BOOST

According to the National Association of Realtors, this non-repayable tax credit will generate an additional 300,000 sales during 2009. With the additional purchases of furnishings, appliances, remodeling and brokerage fees that go along with the purchase of a new home, the economy could see a relatively significant boost.

In his speech regarding the new bill, President Obama announced the launch of [www.recovery.gov](http://www.recovery.gov), a Web site that offers "accountability and transparency" regarding the economic stimulus bill, including the tax credit.

For more information on the new tax credit and the American Recovery and Reinvestment Act of 2009, visit [www.recovery.gov](http://www.recovery.gov). ❖

