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Tax credit opens doors for more home buyers

Current owners may qualify for up to $6,500 credit for new residence

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USA TODAY

Your real estate agent isn't returning your calls, your bank wants your income tax returns for the last 15 years, and you're getting some weird vibes from the people who live next door to the house you're trying to buy.

These home-buying potholes won't prevent you from taking advantage of the $8,000 first-time homebuyer's credit, so relax. A bill signed into law Friday by President Barack Obama extends the credit, originally scheduled to expire Nov. 30, until next spring.

And that's not all. The legislation also expands the credit, making it available to some home buyers who already own a home but would like to trade up to a nicer place.

Here's who stands to benefit from the expanded home-buyer's credit:

■ First-time home buyers. The law defines "first-time home buyer" as someone who hasn't owned a home in the three years before the purchase. If your spouse owned a home in that time frame, you're not eligible. So, those eligible can claim a tax credit for 10 percent of the purchase price, up to a maximum credit of $8,000. The credit is refundable, which means that if you owe less than $8,000 in taxes, you'll receive a refund for the difference. The credit is not available for home purchases that exceed $800,000.

You can claim the credit if you sign a sales contract before May 1, 2010, and close before July 1. Members of the military who serve extended duty outside the USA have until July 1, 2011, to claim the credit, as long as they sign a contract before May 1, 2011.

The legislation also expands the income cutoffs for the credit. Single home buyers with modified adjusted gross incomes of up to $125,000 qualify for the full credit; those with MAGI of up to $145,000 can claim a reduced credit. For married couples who file joint tax returns, the credit phases out between $225,000 and $245,000.

The credit doesn't have to be repaid unless you sell your home within three years.

■ Existing homeowners. Home buyers who have lived in their current home for five out of the last eight years qualify for a tax credit of up to $6,500. The deadlines are the same as for first-time home buyers.

The income thresholds for existing homeowners are also the same as those for first-time home buyers. Likewise, existing homeowners can't claim the credit if they purchase a home for more than $800,000.