

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (the Economic Stimulus Package), signed into law by President Obama on February 17, 2009, grants a valuable tax credit of up to \$8000 for first time home buyers. This newsletter will describe the key criteria involved in qualifying for this valuable tax credit. We at Cooley Shrair encourage anyone who is purchasing a home to review the criteria involved in qualifying in order to determine whether they can take advantage of this significant benefit.

To be considered a first time home buyer, the purchaser (and his or her spouse if married) will not have owned a main home in the previous 36 months, and will purchase a home between April 8, 2008 and December 1, 2009. If unmarried parties purchase a home together, the tax credit may be allocated in a reasonable manner between the purchasers. A reasonable allocation may be to allocate 100% of the credit to only one purchaser, if only one purchaser can use the credit.

A home can be:

- House
- Houseboat
- Housetrailer
- Cooperative Apartment
- Condominium
- or other type of residence

The amount of the tax credit starts at the lesser of \$8,000, or 10% of the purchase price, and is reduced, or phased out, for those with an adjusted gross income of between \$75,000-\$95,000 for an individual, and between \$150,000 - \$170,000 for married couples. Those with adjusted gross income of over \$95,000 for an individual, and \$170,000 for a married couple, do not qualify for the credit.

If the purchase is made in 2008 (between April 8, 2008 and December 31, 2008), the credit is limited to \$7,500 and acts much like an interest-free loan. The taxpayer must repay the loan over a 15 year period by adding income to their annual returns until the credit is repaid.

For homes purchased after December 31, 2008, the credit does not have to be repaid unless the taxpayer ceases to use the home as their main residence in the following 36 months.

The tax credit is not available if:

- The taxpayer is a nonresident alien.
- The home is located outside the United States.
- The home is acquired by gift or inheritance.
- The home is acquired from a related person (a related person includes: a spouse, ancestors including parents, grandparents, or lineal descendants including children,

grandchildren, a corporation or partnership in which the taxpayer owns, directly or indirectly, more than 50% of the controlling interest).

If you, a friend, a colleague or a client are interested in determining whether you may qualify for the tax credit, we at Cooley, Shrair PC are prepared to assist you.

Visit Our Website

Sincerely,

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