

St. Louis Association of REALTORS

The Blue Light Is On In The Home Sales Aisle!

New federal home buyers incentives in place for both first-time buyers and existing homeowners.

With enactment of the new stimulus program for homebuyers, the federal government has "tuned on the blue light" in the home sales aisle. Now you just have to get the message out to your marketplace—and quickly, as the benefits are scheduled to end in late spring.

The new legislation not only renews the \$8,000 first-time buyer tax credit, but adds a slightly smaller credit for existing homeowners. It also increases the annual modified adjusted gross income limits to \$125,000 for single taxpayers and to \$225,000 for couples filing jointly. (Limits under the previous program expiring November 30 were \$75,000 and \$150,000.)

The new legislation takes effect on December 1, the day after the current First-Time Buyer credit expires, and covers sales through April 30, 2010. To qualify for the new credit, buyers must have a binding sales contract in place by April 30, but can close as late as June 30, 2010.

You need to get the word out to all of your prospective buyers—the apartment-dwellers and existing homeowners—who should be thinking of moving up while these "perfect storm" conditions exist: Interest rates are still at historic lows, home prices are very reasonable, and the tax credits will only last for a short time.

The tax credit for move-up buyers is set at \$6,500 and the price of the new home must be \$800,000 or less. To qualify, existing homeowners must have owned and resided in a home for five of the eight years prior to the purchase date. Married couples must individually pass the owner-occupancy test. In other words, both spouses must have been owner occupants for at least five of the past eight years—but could have done so either individually or as a married couple. The credits are also limited to the purchase of a primary residence. (Those requirements were included to prevent investors from jumping in to "flip" properties to take advantage of the credit.)

You should also note that the credits cannot be claimed when homes are purchased among other family members, including both lineal descendants or family members on the spouse's side. Applying the credit to a sale to a parent or grandparent, or a sale to a child or grandchild, for example, would be illegal. Details are available in IRS Form 5405.