
New Law Adds Tax Breaks for Real Estate

Contributed by Joseph D'Amato
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First Time Home Buyers get a tax credit of up to \$7,500 for buying a principal residence after April 8, 2008 and before July 1, 2009. To be eligible, purchasers must not have owned a principal residence in the United States in the previous three years. The credit phases out between \$150,000 and \$170,000 of adjusted gross income for married couples and \$75,000 to \$95,000 for single filers. The tax credit is refundable to the extent that it the buyer's regular tax liability, but does not offset the alternative minimum tax. Home buyer's in 2009 can make a special election to take the credit on their 2008 tax returns. That may require the filing of an amended return for 2008.

The credit is really an interest free loan from the government. The new law requires that the it be recaptured evenly over a 15 year period,without any interest due, starting two years after the year the credit is claimed. A first time home buyer who claims \$7,500 tax credit for a purchase in 2008 must pay an extra \$500 of income tax starting in 2010 and in later years. If the homeowner sell the residence before the credit is fully repaid, the seller is taxed that year on the lesser of the gain from the sale (if sold to an unrelated party) or the uncaptured balance of the credit.

This tax credit is part of The American Housing Rescue and Forclosures Prevention Act of 2008, and is an opportunity to first time buyers in an ever changing real estate market. This tax credit will make entry level homes more affordable to first time purchasers remarked Joseph F. D'Amato Broker of Hudson Harbor Realty Corp. Buyer's are encouraged to check with their tax professional to see how this credit may apply to their individual needs.

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