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Benefits of the Worker, Homeownership and Business Assistance Act of 2009

The U.S. Federal Government enacted the Worker, Homeownership and Business Assistance Act of 2009 on November 6, 2009. This Act extends and expands the first-time homebuyer credit allowed by the American Recovery and Reinvestment Act of 2009, which allowed for an \$8,000.00 credit for first-time home buyers. In addition to the first-time credit, part of the expansion allows a tax-credit of up to \$6,500.00 for qualified "move up" or "repeat" home buyers purchasing a principal residence. There are certain criteria of note, which are discussed below, regarding both the expansion and extension Acts.

Expansion of first-time homebuyer credit

As we reported in an earlier newsletter in August 2009, the American Recovery and Reinvestment Act of 2009 allowed first-time home buyers to take a tax credit up to \$8,000.00. To qualify as a "first-time home buyer," the purchaser must have not owned a principal residence for at least three years immediately preceding the purchase of the new home. If married, the purchasers are only able to benefit from the credit if both spouses did not own any other principal residence during the three-year period ending on the date of the purchase. The purchase date is the date when the closing occurs and the title to the property transfers to the purchaser.

The new American Recovery and Reinvestment Act of 2009 has extended the deadline for first-time home buyers from November 30, 2009 to April 30, 2010 (or June 30, 2010 if the purchaser has a binding sales contract signed by April 30, 2010). It is important to note that the maximum credit amount still remains at \$8,000.00 for first-time home buyers.

In addition, the income limits for the first-time home buyer credit have been increased, allowing more first-time purchasers to take advantage of the credit. For people who purchase homes after November 6, 2009, the full credit will be available to purchasers with a modified adjusted gross income (MAGI) of up to \$125,000.00, or \$225,000.00 for joint-filers. (It is important to note that a taxpayer purchasing a home from relatives may be automatically disqualified from receiving the tax credit.)

"Move up" or "Repeat" home buyer credit under the Worker, Homeownership and Business Assistance Act of 2009

Along with the expansion and extension of the American Recovery and Reinvestment Act of 2009, the Worker, Homeownership and Business Assistance Act of 2009 allows for a new credit for "move up" or "repeat" home buyers.

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To qualify for this credit, the principal residence purchaser must be a “move-up” or “repeat” home buyer, which is defined as a homeowner who has owned and resided in a home for at least five consecutive years of the eight years prior to the purchase date.

The home being purchased must be a principal residence and it must be purchased for an amount less than or equal to \$800,000.00. The “home” can include a single-family detached home, an attached home (such as a townhouse or condominium), a manufactured home (such as a mobile home) or a houseboat.

In addition, the purchase of the principal residence must occur on or before April 30, 2010. However, if there is a binding sales contract signed by April 30, 2010, the qualifying purchase must take place by June 30, 2010. Thus, to meet the April 30, 2010 (or June 30, 2010) deadline, it is important that a purchaser taking advantage of the credit be in contract by April 30, 2010, at the latest.

There are income limits that may preclude some purchasers from receiving the benefit of the tax credit. For instance, the income limit for single taxpayers is \$125,000.00, and for married taxpayers filing jointly is \$225,000.00. It is important to note that the tax credit amount is reduced for buyers with a MAGI above those limits.

The U.S. Department of Housing and Urban Development (HUD) allows “monetization” of the tax credit, which means that HUD will allow buyers using FHA-insured mortgages to apply their anticipated tax credit toward their home purchase immediately rather than waiting until they file their 2009 or 2010 income taxes. These immediately received funds may be used for closing cost expenses.

If you are a first-time home buyer, or a “move up”, or “repeat” home buyer, and you are thinking of purchasing a new principal residence and want to learn more about how you can take advantage of the tax credit, please call or email James G. Dibbini & Associates, P.C. In order to meet the April 30, 2010 (or June 30, 2010) deadline, it is important to act now.

Our office also provides legal services in the areas of:

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Civil Litigation

Landlord & Tenant Law

General Business Law

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Tax Certiorari

Zoning Matters



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