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IT'S NOT TOO LATE TO TAKE ADVANTAGE OF THE \$8,000 TAX CREDIT!

Thanks to the American Recovery and Reinvestment Act of 2009 first-time home buyers are now eligible for a tax credit up to \$8,000.00, which does not have to be repaid as the previous 2008 tax credit did. To qualify for this credit, an individual must first qualify as a "first-time home buyer." The law defines a "first-time home buyer" as a buyer who has not owned a principal residence for at least three years immediately preceding the purchase. For married taxpayers, both spouses must meet this requirement. For unmarried co-purchasers, one of the purchasers can take advantage of the tax credit even if the other purchaser does not qualify.

In addition to qualifying as a "first-time home buyer," a taxpayer must also meet additional requirements. First, the purchase must occur between January 1, 2009 and November 30, 2009. The purchase date is the date when the closing occurs and the title to the property transfers to the purchaser. Please note a real estate purchase can take several months to close. Thus, to meet the November 30th deadline it is important that a purchaser interested in taking advantage of the credit be in contract by September 30th at the latest. A second requirement is that the taxpayer must live in the home, whether it be a house, a condo, a coop, etc., for at least three years following the closing. Otherwise, the taxpayer will be obligated to pay back the credit. Third, income restrictions apply. The income limit for single taxpayers is \$75,000.00, whereas the income limit for married taxpayers filing a joint tax return is \$150,000.00. Finally, it is important to note that a taxpayer purchasing a home from relatives may be automatically disqualified from receiving the tax credit.

Applying for the tax credit is easy. A taxpayer merely has to claim the tax credit on his/her federal income tax return – no other forms or paperwork is necessary. Furthermore, taxpayers who have already completed their returns and do not want to wait until next year can file an amended return for 2008 to claim the credit immediately. In some cases, prospective home buyers can take advantage of the tax credit to help cover their down payments and closing costs. It is advised you also consult with your tax preparer regarding the tax credit.

The Secretary of Housing and Urban Development ("HUD") has recently announced that non-profits and FHA-approved lenders will be allowed to give home buyers short-term loans of up to \$8,000. Housing finance agencies and other government entities may also issue tax credit loans, which home buyers may use to satisfy the FHA 3.5 percent down payment requirement.

Our office focuses on real estate matters and works with some of the most qualified and competent real estate and mortgage brokers on a daily basis. If you are thinking of purchasing your first home and want to learn more about how you can take advantage of the \$8,000 tax credit, please call or email James G. Dibbini & Associates, P.C. now.

Disclaimer: The information provided is not intended to be legal advice, but merely conveys general information related to legal issues commonly encountered.

NEWSLETTER

- AUGUST 2009 -

VOLUME 2009 NUMBER 8

MEMBER OF NEW YORK STATE BAR ASSOCIATION, WESTCHESTER COUNTY BAR ASSOCIATION AND YONKERS LAWYERS' ASSOCIATION