



Mark Sampson

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Obscure Facts About the Home Buyer Tax Credit

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The IRS gets the final say when it comes to who gets to claim the homebuyer tax credit, who does not, and under what circumstances.

They have made a feeble attempt to update some of the FAQs posted on their website <http://www.irs.gov/newsroom/article/0,,id=206291,00.html> but if it's anything like the last extension, it will take them a while to update their FAQ page.

However, there are some little-known "interpretations" that most loan officers, real estate agents and even tax advisors don't know about.

1. When a FTHB buys a 2-4-family home, and occupies one of the units as their personal residence, they are only allowed to claim 10% (or \$8000 max) of the unit they OCCUPY--not the entire sales price. Example: If the FTHB bought a duplex for \$120,000 and the units are identical, the "cost basis" is \$60,000 and the tax credit they can claim would be \$6,000.
2. Income limits are based on ADJUSTED GROSS INCOME.
3. Income CAN Exceed \$125,000 (single) and \$225,000 (married) by up to \$20,000 and FHTB & Long-term Residences can still get a partial tax credit based upon a "MAGI formula" created by the IRS.
4. New Construction - the "date of purchase" is considered the "date" the FTHB OCCUPIES the property--not the closing date or the start-or-construction date.

5. Homes sold on "Land Contract or Contract for Deed" to a FTHB can QUALIFY for a tax credit if they meet 7 tests listed on the FAQs.

6. Tax credit is not available for FTHB in US Territories--only the 50 states.

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