

FOR IMMEDIATE RELEASE – Spokesman Review

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**\$8000 Tax Credit
Doesn't Apply to Just
First-Time
Homebuyers**

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Surprisingly, one little known
fact is being overlooked by
many who can benefit from the

\$8,000 Federal Tax Credit assisting those who decide to purchase a home
before December 1, 2009.

**The fact is the tax credit is for anyone who has not owned a home in the
last three years.**

The public perception is that this tax credit is ONLY for first time home buyers.
Many current buyers think they don't qualify because they have previously been
a homeowner. I am hearing from many local REALTORS® whose clients are
amazed to learn that, even if they owned a home prior to 2006, then they too are
considered a first-time homebuyer for this program. The key is that they have

not owned or had an ownership interest in a home *in the three years prior to their 2009 purchase date.*

Spokane REALTORS® are working with several categories of very pleased buyers who qualify, such as:

- Newcomers who previously owned a home out of state or out of the area. Often, families will choose to rent a home for the first year or more, taking time to learn about the unique qualities found in several of Spokane's diverse neighborhoods.
- Military families, who may have rented over the last three years because they have moved around a lot.
- Some renters who wrongly assume they cannot buy without a large down payment. REALTORS® are helping many get started with accurate local market information and current general purchase requirements.
- Some newcomers arrive because of an initial short-term job situation. While waiting to establish job security, some families will rent for the first few years.
- A change in family status may also create the "own-rent-own again" scenario. Note for married joint-filers: Both of you must meet the 1st time home buyer test to take the credit on a joint return.

Tax Credit vs. Tax Deduction?

This program offers home buyers an \$8,000 tax credit, which works differently than the more familiar line-item tax deduction. Every dollar of a tax credit reduces income taxes by a dollar. Credits are claimed on an individual's income

tax return. Thus, a qualified purchaser would figure out all the income items and exemptions and make all the calculations required to figure out his/her total tax due. Then, once the total tax owed has been computed, tax credits are applied to reduce the total tax bill. So, if before taking any credits on a tax return a person has total tax liability of \$9500, an \$8000 credit would wipe out all but \$1500 of the tax due. ($\$9,500 - \$8000 = \1500)

So what happens if the purchaser is eligible for an \$8000 credit but their entire income tax liability for the year is only \$6000? This tax credit is what's called "refundable" credit. Thus, if the eligible purchaser's total tax liability was \$6000, the IRS would send the purchaser a check for \$2000. The refundable amount is the difference between \$8000 credit amount and the amount of tax liability. ($\$8000 - \$6000 = \$2000$) Most taxpayers determine their tax liability by referring to tables that the IRS prepares each year.

A couple more things to know. The tax credit applies to primary owner-occupied residences only. For new construction, the "purchase date" is the date you occupy the home, which must be prior to December 1, 2009. Also, If you sell the home prior to three years of ownership, the tax credit must be repaid. This provision is designed to prevent flipping homes in order to get the credit. Readers may find more information posted at www.SpokaneRealtor.com.

The real estate market in Spokane County is warming up now with the warmer weather. There were 326 successful home closings in March, a 68% increase over February. REALTORS[®] are seeing the \$8,000 tax credit help many purchasers crunch the numbers and successfully work out a plan for home ownership this year.

Whether you think of the new 2009 tax credit as one really big incentive or 8,000 smaller ones, it adds to your purchasing power, helping you make your move. Contact a Spokane REALTOR[®] today, and remember that you can browse local

REALTOR[®]-sponsored open houses any time, 24/7, at **www.SpokaneOpen.com**, the official open house web site of the Spokane Association of REALTORS[®].

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