

## The Federal Government Gives You \$8,000 to Help You Buy Your First Home Before December 1, 2009



**I**ncluded in the \$787 billion stimulus package that President Barack Obama signed into law this past Tuesday is a provision that grants a credit of up to \$8,000 to anyone who buys (or has bought) his/her first main residence between January 1, 2009, and November 30, 2009. This law is an improvement over the previously enacted "Housing and Economic Recovery Act of 2008" which granted a credit of up to \$7,500 to those buying between April 8, 2008 and June 30, 2009.

Unlike the \$7,500 credit, which really operated as an interest-free loan since it had to be repaid over the following 5 years, the new \$8,000 credit does not have to be repaid - it's like a gift.

This new credit reduces the buyer's income taxes, dollar for dollar. That is, even if the new purchasers do not owe any income taxes, or if they owe less than the amount of the credit, the federal government gives them the difference.

For example, let's assume that a couple closed on February 6, 2009, on the purchase of their first main residence. They will receive the credit when they file their 2009 income tax return. Let's also assume that they receive the maximum credit of \$8,000 and that their income tax return shows that they only owe \$3,000 in income taxes. They would receive a check from the IRS in the sum of \$5,000. That is, they would receive the difference between the amount of the credit and what they owe in taxes. Pretty good, right!

The intent of this law is to stimulate the national economy by giving an incentive to those who buy (or that have bought) their first main residence between January 1, 2009, and November 30, 2009.

The credit is equal to 10% of the price of purchase, to a maximum of \$8,000 for a couple, or \$4,000 for an unmarried person, or married but buying in his/her own name only.

**What type of property qualifies?** Any residential property located in the United States of America.

**Who qualifies?** Citizens or legal resident aliens.

**What type of purchase qualifies?** As it's common with tax laws, things are not what they appear to be. Although the law indicates that it applies to the first main residence of the person, what it really means is that, in fact, it not only applies to those who have never bought a main residence in the United States but also, to those who have bought a main residence previously, but who have not owned a main residence for at least the last three years.

For example, let's use the following case to illustrate: Let's say that you owned your main residence for 20 years but you decided to sell and closed on the sale in December of 2005. You then rented or lived with your children (parents, relatives...) but now you have decided to buy a principal residence again (house, condominium, duplex, mobile home, even house boat!). According to this law, you qualify for the credit, since it has been more than three years that you were the owner of your own principal residence.

**Does everyone qualify for this credit?** Not everyone. There is a sliding income scale. If you are married, you receive less credit or no credit at all if you and your spouse earn between \$150,000 and \$170,000 together. For singles, the scale is between the \$75,000 and \$95,000. When we say "earn" we mean what is known in the federal tax code as "modified adjusted gross income."

The credit must be repaid if you sell your home within three years of purchase. However, there are some exceptions. For example, if the owner passes away during that period or in some divorce situations, the credit does not have to be repaid.

Remember, if you plan to buy or to refinance your house, take advantage of our free initial consultation for our clients and friends. Call and make an appointment and obtain our legal advice before making such an important investment. And if you decide to hire us to handle your closing, you will find that our fees are competitive with most title companies. Wouldn't you rather have your own lawyer handle your closing? You have the right to insist on having your attorney handle the closing and virtually all banks and mortgage companies will agree.

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We invite you to contact us if you have any questions or comments on the subject of this article, or for any other subject.

We will also appreciate your letting us know of any topics that you wish to know more about, to add them to a future edition of this newsletter.

Hope to see you soon!

Dennis A. Donet, Esq. Copyright 2009

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