

Homebuyer tax credit nears end

Contract must be in place by May 1, close by July 1

BY DICK HOGAN • DHOGAN@NEWS-PRESS.COM • APRIL 11, 2010

Time is running out for would-be homebuyers to take advantage of a federal tax credit that expires at the end of the month - but don't give up hope yet.



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Liz Ortiz, and her son, Juan, 11, live in a new Habitat for Humanity house in Lehigh Acres. She beat the deadline for a federal tax credit for first-time home buyers. (Valerie Roche/news-press.com)

The First Time Homebuyer tax credit provides qualifying taxpayers with as much as \$8,000 to buy a new home and is available for home purchases under contract before May 1. People who are longtime residents of the same home are eligible for as much as a \$6,500 tax credit.

Those who make the May 1 deadline will then have to close on the purchase before July 1.

That's not much time, but Tricia Goins, vice president of communications for Habitat for Humanity of Lee County, said a motivated buyer could make it happen.

Buyers have to provide 250 hours of "sweat equity" working on Habitat houses to qualify for a home of their own, she said, but "I've seen people do that in a couple weeks" by bringing in family and friends to help.

One Habitat buyer who closed recently said she was keenly aware of the looming deadlines.

"I was like, 'I need to close, I need to close before the deadline,'" Liz Ortiz said with a laugh. "That money's going to help me. I closed on March 26."

Now, Ortiz, 29, a Hope Hospice nursing assistant, and her son are in their house in Lehigh Acres. She'll get \$6,000 for the \$60,000 purchase and intends to set some of it aside for an emergency home-repair fund.

Courtney Neuhausel, president of Fort Myers-based Sandbill Homes, said his customers are keenly aware of the deadline.

"We're definitely rushing that," he said. "It's definitely pushing people in. I'm seeing people struggling, trying to get a deal wrapped up. They're panic-stricken a little that they can't get a deal in time."

Sandbill can still cut a deal before May 1 for a new customer, in part because it's selling its own houses and can make a decision on the spot. The company will also help buyers repair their credit ratings to get them bank financing by the July 1 closing deadline.

First-time homebuyer Carlos Cruz, 43, is under contract with Sandbill on a Cape Coral house and is scheduled to close before the end of this month.

e was in the market for a house anyway but felt the need to move fast because of the tax credit deadline. "We thought, 'It's getting close. If we can get it, let's get in.'"

But starting from scratch now, it's not going to be easy in most cases.

Brett Ellis, a real estate agent with Re/Max Realty Group in Fort Myers, said he hasn't seen a lot of people trying to get the credit because a lot have already done it and most buyers now are investors or second-home buyers.

For someone starting now, he said, "It's problematic," especially for the closing deadline. "It's taking lenders 45 days to process a new loan so if you buy at the end of April, you're cutting it close."

Also, he said, first-time homebuyers typically are trying for houses \$100,000 or less and in that price range "You've got a lot of competition. They may have to put an offer in on eight properties or more because they keep getting shut out by a cash buyer," typically an investor.

One banker agreed there's barely enough time at best.

"My instinct is that you're right on the cusp," said Bill Valenti, president of Florida Gulf Bank in Fort Myers. "By the time you get an appraisal, title and inspection, it'll be a mad dash to the finish. It's darn near impossible."

WHO QUALIFIES?

FIRST-TIME HOMEBUYERS

To qualify as a first-time homebuyer, you must not have owned a home in the last three years. The tax credit is 10 percent of the purchase price of a home up to a maximum of \$8,000. This applies to a single taxpayer or a married couple filing a joint return. Married couples filing separate returns qualify for half that amount. The \$8,000 credit applies to sales in 2009 and through the end of April.

Homes bought in 2008 also get a tax credit, but the rules are different.

Of course, your particular situation may not be so clear cut. The IRS outlines many different scenarios and how they effect the homebuyer rules at tinyurl.com/opgukl.

LONG-TIME RESIDENTS

To qualify as a long-time resident, you must have owned and used the same home as your principal residence for at least five consecutive years of the eight-year period ending on the date you bought your new home. The maximum credit is \$6,500 for a single taxpayer or a married couple filing a joint return, or \$3,250 for a married couple filing separate returns.

THE DEADLINE

You must enter into a binding contract to buy a home before May 1 and close before July 1. If you're building a home, the purchase date is considered to be the date you first occupy the home.

HOW TO GET THE CREDIT

The credit is claimed on IRS Form 5405, First-Time Homebuyer Credit, which was revised in December. It must be filed with your 2008, 2009 or 2010 federal income tax return, depending on which year you're claiming the credit. If you have already filed a 2008 or a 2009 tax return without claiming the credit, but bought a home that qualifies, you can amend your return to claim the credit using Form 1040X with the December 2009 Form 5405 attached.

Certain additional supporting documents will be required to be filed with your tax return, including a copy of the settlement statement used to buy the home or a similar document.

Those seeking a credit for long-time residents will need to prove they have lived in their home for five consecutive years by providing mortgage interest statements, property tax records or homeowner's insurance records for five consecutive years.

INCOME LIMITS (for full credit)

- Purchases after Nov. 6, 2009:

Single taxpayers: up to \$125,000

Married couples filing jointly: up to \$225,000

- Purchases before Nov. 7, 2009:

Single taxpayers: up to \$75,000

Married couple filing jointly: up to \$150,000

The IRS uses your modified adjusted gross income, which for most people is the adjusted gross income on your tax form with student loan, tuition and fee deductions added back in.

Many additional questions are answered by the IRS on its Web site at tinyurl.com/yb8ykug.