

How First-time Homebuyers Can Enjoy the Tax Credit Cash Sooner than Later

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First-time homebuyers are taking advantage of the \$8,000 tax credit all over the country and there is evidence that this stimulus in combination with other factors is making an impact on home sales. But imagine the additional impact if first-time homebuyers knew they could get the credit sooner than later. The purpose of this article is to give an overview on how to get access to the first-time homebuyer tax credit prior to filing the 2009 tax return.

The American Recovery and Reinvestment Act of 2009 provides for as much as a \$8,000 tax credit to qualified first-time homebuyers. The credit is limited to 10% of the purchase price of the home, up to \$8,000 and expires December 1, 2009.

There are two methods to get the money without waiting until next tax season. The first is to change withholdings at the place of employment. An employee can obtain an IRS Form W-4 from their employer, follow the instructions on the schedules provided and give the completed Form W-4 back to the employer. In many cases their withholding would decrease and their take-home pay would increase. For example, a person that has a gross weekly income of \$1,000 would net approximately \$700 after taxes. If this person increased the number of exemptions, it would lower their tax withholdings. This would provide a higher check to the employee (say \$900), thus increase take home pay by \$200.

The second method (and probably the most popular) is to file an amended 2008 tax return. In order to amend your 2008 tax return, the following steps must be completed:

- 1) Close on the purchase of your new home;
- 2) File form 1040X, Form 5405 and a copy of your settlement statement with the IRS (see your tax preparer for more information);
- 3) Receive a check for up to \$8,000.

IRS Form 5405 includes a basic calculation for determining how much the credit will be for the new homeowner. In some cases, the IRS will request additional documentation to process the credit. According to Jody Grunden, CPA, with Summit CPA group, "The IRS is taking 6-16 weeks to get checks to homeowners." Therefore, it is best to include the appropriate documentation when applying for the credit.

Since the closing deadline is November 30, 2009, the National Association of REALTORS has recommended that buyers try to make contract offers by the end of September to ensure that they do not miss the closing deadline. There have been discussions in Congress about extending the tax credit beyond December 1, 2009. To stay abreast of changes, contact your local CPA or visit www.IRS.gov.



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