

# Tax Credit Extended For The Military

**Falcon Mortgage highlighted the key excerpt from the IRS website below.**

## **First-Time Homebuyer Credit: Members of the Military and Certain Other Federal Employees**

The Worker, Homeownership and Business Assistance Act of 2009, which was signed into law on Nov. 6, 2009, extends and expands the first-time homebuyer credit allowed by previous Acts. The new law:

- Extends deadlines for purchasing and closing on a home.
- Authorizes the credit for long-time homeowners buying a replacement principal residence.
- Raises the income limitations for homeowners claiming the credit.

Under the new law, an eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before April 30, 2010 and close on the home by June 30, 2010. For qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 return.

For the first time, long-time homeowners who buy a replacement principal residence may also claim a homebuyer credit of up to \$6,500 (up to \$3,250 for a married individual filing separately). They must have lived in the same principal residence for any five-consecutive year period during the eight-year period that ended on the date the replacement home is purchased.

People with higher incomes can now qualify for the credit. The new law raises the income limits for homes purchased after Nov. 6, 2009. The credit phases out for individual taxpayers with modified adjusted gross income (MAGI) between \$125,000 and \$145,000 or between \$225,000 and \$245,000 for joint filers. The existing MAGI phase-outs of \$75,000 to \$95,000 or \$150,000 to \$170,000 for joint filers still apply to purchases on or before Nov. 6, 2009.

Several new restrictions apply to homes purchased after Nov. 6, 2009.

- Purchasers must attach a properly executed settlement statement to their return.
- No credit is available if the purchase price of the home exceeds \$800,000.
- The purchaser must be at least 18 years old on the date of purchase. For a married couple, only one spouse must meet this age requirement.
- A dependent is not eligible for the credit.
- The new law gives the IRS broader authority to deny first-time homebuyer credit claims, without having to first audit a taxpayer's return. Known as math error authority, this authority applies, retroactively, to credits claimed on original and amended 2008 returns, as well as to claims yet to be filed.

Additionally, there are new benefits for members of the military and certain other federal employees:

- Members of the military and certain other federal employees serving outside the U.S. have an extra year to buy a principal residence in the U.S. and qualify for the credit. Thus, an eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before April 30, 2011. If a binding contract is entered into by that date, the taxpayer has until June 30, 2011, to close on the purchase. Members of the uniformed services, members of the Foreign Service and employees of the intelligence community are eligible for this special rule. It applies to any individual (and, if married, the individual's spouse) who serves on qualified official extended duty service outside of the United States for at least 90 days during the period beginning after Dec. 31, 2008, and ending before May 1, 2010.
- In many cases, the credit repayment (recapture) requirement is waived for members of the uniformed services, members of the Foreign Service and employees of the intelligence community. This relief applies where a home is sold or stops being the taxpayer's principal residence after Dec. 31, 2008, in connection with government orders received by the individual



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(or the individual's spouse) for qualified official extended duty service. The credit is still allowable even if this happens during the year of purchase. Qualified official extended duty is any period of extended duty while serving at a place of duty at least 50 miles away from the taxpayer's principal residence (whether inside or outside the U.S.) or while residing under government orders in government quarters. Extended duty is defined as any period of duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

## Question and Answer

**Q.** Are both spouses required to be overseas for the requisite time period in order to qualify for the 2011 extension to claim the credit?

**A.** Only one spouse must be overseas on official extended duty for the requisite amount of time for either spouse to be eligible for the 2011 extension of time to purchase a principal residence and claim the credit.

