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Real Estate Section
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REALTORS: Buyers Must Act Soon to Take Advantage of Tax Break

Across the country, first-time homebuyers have been taking advantage of a valuable federal tax credit program to aid in the purchase of a home, but REALTOR officials are reminding prospective buyers that the program will be coming to an end this fall.

As part of the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009, a first-time homebuyer tax credit of up to \$8,000 is available to qualified buyers. The credit can be applied to primary residences, including single-family homes, condos, townhomes and co-ops.

“The tax credit has definitely played a role in an improved national housing market,” said Michael Indest, President-Elect of Louisiana REALTORS. “This program, combined with lower interest rates and affordable home prices, is a big reason why pending home sales nationwide are up for the fifth consecutive month.”

“However, first-time buyers who are sitting on the fence will need to act fairly soon to take advantage of the tax credit,” Indest said. “In some cases it may take as long as two months to close on a home after signing a contract, and closings must take place by November 30 in order to qualify under this program.”

First-time homebuyers who purchase a principal residence on April 9, 2008 and before December 1, 2009 are eligible. If an individual (and their spouse, if married) have not owned their principal residence for a 3-year period before their purchase, they qualify as a first-time homebuyer.

The maximum allowable credit for home buyers is \$8,000. Each home buyer's tax credit is determined by two factors: the price of the home (the credit is equal to 10% of the purchase price of the home, up to \$8,000) and the buyer's income. Single buyers with incomes up to \$75,000 and married couples with incomes up to \$150,000 may receive the maximum tax credit.

“This program is especially beneficial because the credit can be monetized and be used towards a downpayment or closing costs on FHA loans,” said Malcolm Young, CEO of Louisiana REALTORS. “For many families and individuals, it truly is a perfect time to buy.”

When the credit was first passed, money was not available until a buyer filed tax forms after the home purchase. But in May of this year, the Department of Housing and Urban Development announced guidelines for FHA lenders that enable them to make the credit available to buyers at closing for costs or a downpayment above the 3.5 percent required for an FHA insured loan.

Young pointed out that the buyer does not have to repay the tax credit, if he or she occupies the home for three years or more.

The Internal Revenue Service states that for homes purchased in 2009, the credit does not have to be paid back unless the home ceases to be the taxpayer's main residence within a three-year period following the purchase.

More information about the tax credit program, including frequently asked questions and other resources, is available at REALESTATELOUISIANA.com.

“We sincerely hope that Louisiana's prospective first-time homebuyers will not miss out on this valuable incentive,” Indest said. “There is still time for them to take advantage.”

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