

# Tax Update

BeeneGarter<sup>LLP</sup>*Big enough to be experts, small enough to care.™*

November 2009

## For More Information:

Beene Garter LLP  
50 Monroe NW, Suite 600  
Grand Rapids, MI 49503  
616.235.5200 Phone  
616.235.5285 Fax  
[www.beenegarter.com](http://www.beenegarter.com)

## First-Time Homebuyer Credit and Net Operating Losses (NOLs) Extended...

In our last update to you, *Year-End Tax Planning and Checklist*, we included information regarding the first-time homebuyer tax credit. At that time a first-time buyer qualified for up to \$8,000 if their home purchase was made before December 1, 2009.

On November 6, 2009, the President signed into law H.R. 3548, the "Worker, Homeownership and Business Assistance Act of 2009". The new law extends and generally liberalizes the tax credit for the first-time homebuyers, making it a much more flexible tax-saving tool. It also includes some new requirements designed to prevent abuse of the credit.

These important changes could make it easier for you or someone in your family to buy a home. Because the changes generally aid buyers and aim to improve residential real estate markets nationwide, they also may make it easier to sell a home. Highlights of the Act include:

### First-Time Homebuyer Credit

- A continuation of the up to \$8,000 first-time homeowners tax credit through April 30, 2010
- A new \$6,500 tax credit for existing homeowners buying a new primary residence; they must have lived in their current home for at least five consecutive years during the eight year period ending on the date of the new home purchase
- Applies to all contracts entered into before May 1, 2010 and closed before July 1, 2010
- Qualifying purchases in 2010, taxpayer can elect to take credit on their 2009 or 2010 return
- Increased income limitation for purchases after November 6, 2009. Credit phases out for modified adjusted gross incomes between

\$125,000 and \$145,000 (\$225,000 and \$245,000 for joint filers)

- Credit does not apply for purchases after November 6, 2009 if purchase price exceeds \$800,000

**New Anti-Abuse Provisions:**

- Taxpayers under the age of 18 as of the date of purchase do not qualify
- Taxpayers claimed as a dependent on another's return do not qualify
- A copy of the settlement agreement must be attached to the tax return containing the credit
- Property cannot be acquired from a related person

**Net Operating Losses (NOLs):**

- Five year carry back of NOLs extended to include 2009 NOLs and apply to most businesses, the Act provides an election for most taxpayers (not just small businesses) to increase the carry back period from two years to three, four or five years
- An eligible small business that made an election before November 6, 2009 may make an election for two tax years instead of just one
- Only 50% of the taxable income in the fifth year can be used in the carry back claim

If you have questions or would like additional information please [contact us](#).

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