

# DON'T LET YOUR WEALTH SAIL AWAY



## HOUSING ASSISTANCE TAX ACT OF 2008

In July, Congress passed and President Bush signed the Housing Assistance Tax Act of 2008. The act is the reaction of Congress to the depressed housing market, rising unemployment numbers, and the national credit crisis. The act includes \$15.1 billion of housing tax incentives.

The largest incentive is a tax credit for first time home buyers with the following specifics:

- Credit is 10% of purchase price
- Maximum credit is \$7,500, \$3,750 for married filing separately
- Applies to homes purchased between April 9, 2008 and July 1, 2009
- Credit phases out (Adjusted Gross Income):
  - Single filers - \$75,000 to \$95,000
  - Joint filers - \$150,000 to \$170,000
- First time homebuyer – no ownership of a principal residence during last 3 years
- Two or more unmarried individuals may qualify – must allocate credit
- If you buy a house in 2009, you can claim credit on an amended 2008 return

Now here is the “kicker”! For the first time in history, this tax credit must be “repaid”! Repayments must start two years after the year in which the residence is purchased. Payments must be made in equal installments over 15 years. For example, if you received the maximum credit of \$7,500 in 2008, starting in 2010 you would have to add \$500 to your 2010 tax return liability and each year thereafter for 14 years. The IRS won't charge you any interest. So basically, the credit is really only an interest free loan from the IRS.

The credit has to be repaid unless you “die”. If a taxpayer sells or no longer uses the home as a principal residence before repaying the credit, the unpaid balance becomes due in that year.

The Act has many other features please contact us if you would like more details about this new law and remember - **Don't Let Your Wealth Sail Away!**



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