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Senate Clears Homebuyer Tax Credit Extension; May Pass as Early as This Week

Posted By [susanne](#) On November 4, 2009 @ 5:36 pm In [Home Buying 101](#), [Homeowner's Toolkit](#), [Real Estate](#), [Today's Marketplace](#), [Today's Top Story](#), [Today's Top Story - Consumer](#) | [Comments Disabled](#)



[1]RISMEDIA, November 5, 2009—After two weeks

of delay, the Senate cleared the way to pass a seven month extension and expansion of the tax credit for homebuyers. By an 85 to 2 roll call vote, the Senate voted to cut off debate on a package of measures that includes the homebuyer credit, making it virtually certain that the legislation will reach President Obama for his signature this week.

The homebuyer tax credit, due to expire at the end of November would be extended through April 30 of next year. First-time buyers who are in the process of making a purchase would not need to worry about qualifying for the \$8,000 credit if they close after the November 30 deadline.

For the first time, the legislation that was recently cleared makes move-up buyers as well as first-time buyers eligible for a credit. The \$8,000 maximum first-timer credit will continue and will now be available to couples with income up to \$225,000, a nearly \$55,000 increase above the level in existing law. A new \$6,500 maximum credit would also be available to move-up homeowners who have lived in their current residence for five of the prior eight years.

For homebuyers across the country, the expanded tax credit would allow more people to qualify for the credit. While two-thirds of American families own their own home, and most earn less than the income limits that have been established within the extension, more buyers may be eligible. Move-up buyers don't have to sell their current home to qualify for the new credit, but the money cannot be used to buy a vacation home. "It's only for a primary residence," said Regan Lachapelle, a spokeswoman for Sen. Harry Redi (D-Nev.), who helped engineer the deal. "In expanding the tax credit, we are helping first-time home buyers, as well as homeowners looking to move up to a new home, but we would exclude from the credit speculators who may have recently purchased a home intending to flip it for a fast profit," said Senator Max Baucus, Democrat of Montana and chairman of the Finance Committee.

The tax credit has fired-up the housing market, driving existing home sales to the highest level in over two years. The National Association Realtors reported sales jumped 9.4% to a seasonally adjusted annual rate of 5.57 million units in September and are 9.2% higher than the 5.10 million-unit pace in September 2008.

The legislation included provisions added to address complaints of fraud as well. The Internal Revenue Service is given greater authority to oversee the process to root out fraud, and provisions are added in response to past abuses of false sales or underage buyers. An

investigation by the Treasury Department's Inspector General for Tax Administration found that more than 580 children, some as young as four years old, had received \$627,000 in first-time homebuyer credits. The IRS has identified 167 suspected criminal schemes and opened nearly 107,000 examinations of potential civil violations of the first-time homebuyer tax credit.

For more information, visit www.realestateeconomywatch.com [2] and www.wsj.com [3].

RISMedia welcomes your questions and comments. Send your e-mail to: realestatemagazinefeedback@rismedia.com [4].

For more information about the tax credit on RISMedia.com, don't miss:
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[5] What Impact Will Homebuyer Tax Credit Extension Have on Housing Industry?:
<http://rismedia.com/2009-11-03/what-impact-will-homebuyer-tax-credit-extension-have-on-housing-industry/>

[6] Breaking News: Senate Plans to Extend and Expand Tax Credit: <http://rismedia.com/2009-10-29/breaking-news-senate-plans-to-extend-and-expand-tax-credit/>

[7] Image: <http://www.addmarx.com>