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Passing the tax-credit extension for home buyers

By PAMELA MacKENZIE / STAFFWRITER

The recent passage of the home-buyer tax credit extension, which President Barack Obama signed into law Nov. 6, saw Congress pull together in ways the nation has not seen since the aftermath of 9/11.

“Congress, in a bipartisan fashion, is interested in moving the economy forward,” said congressman Leonard Lance, who represents New Jersey’s Seventh District. Lance had introduced his own bill to extend the tax credit, which was a little broader, extending the full tax credit not only to first-time buyers but also to repeat buyers at all income levels, because there are so many New Jerseyans with high incomes and expensive homes. “But I supported this bill,” he said. “I was glad to see it pass.”

Eddie Fadel, president of Hyatt Mortgage in Miami, Fla., who is exploring the idea of moving his business to New Jersey, was an active unpaid lobbyist in the months leading up to the bill’s passage. The author of a popular new book titled “Don’t Rent, Buy!” he worked closely with members of the National Association of Home Builders, who were instrumental in keeping the issue alive from July until the bill passed in early November. Fadel said their rallying cry was “Don’t let the American real estate recovery expire.” The National Association of Home Builders, the National Association of Realtors and the National Mortgage Banker Association all had members who visited Congressional offices to make the case for extending the tax credit. They pointed out how well it was working and made the Senators and

Representatives see that in this economy, not having this credit would halt the recovery now underway. Fadel said that figures from the National Mortgage Bankers Association show that since the first tax credit went into effect last year, the number of first-time buyers has increased 25 percent. In addition, they have documented that first-time buyers now account for 50 percent of all homes sold this year. These numbers make it clear that the tax credit for first-time buyers has worked to bring buyers into the market. Having lobbied Congress in support of all three tax credit laws that were passed, Fadel said that this one was crafted with the most thought and understanding. He said the first one was rushed through in 2008, and it was done with a lot of confusion. Members of Congress want to stimulate the economy as fast as possible but didn't want the public to become dependent on a tax credit. This is why they enacted the tax credit only for a few months. Fadel said that there is still a concern in Congress that the public is becoming dependent on this incentive and there is a fear that home buyers won't take seriously the April 30 deadline for this new extension. "Make no mistake," Fadel said. "If the inventory of homes for sale shrinks, good-bye tax credits." When asked if he thought the tax credits would be extended again, Lance said it's too early to know. He said the important thing is to focus on what we have now and make the most of it because there is no guarantee it will continue. Provisions of the new bill The \$8,000 tax credit has been extended for first time buyers for five more months. They must sign a contract by April 30, and they must close on the house by June 30. Income limits are raised from \$75,000 to \$125,000 for single people and from \$150,000 to \$250,000 for married couples filing jointly.

The limit on the price of the home has been raised to \$800,000. First-time buyers are defined as people who have not owned a home in the last three years. New in this extension: People who have owned a home can now take advantage of a smaller credit of \$6,500. They must have lived in their current home for at least five of the last eight years. The same income and home price restrictions apply. Neither tax credit needs to be repaid if the buyer occupies the home for at three years. Clearing up confusion Some questions have come to the Courier News and Home

News Tribune from Realtors about the extension, which Congressman Lance's office answered for us.

Q. Do buyers have to sign a contract after Dec. 1 to qualify for the new extension?

A. No. There is no gap between the old tax credit and the new one. First time buyers can buy a home this month and close any time before April 30 to qualify.

Q. When does the new \$6,500 tax credit become available for people who are selling their home to buy another?

A. The tax credit for repeat buyers began when the new bill was signed into law on Nov. 6. Anyone who has previously owned a home and who meets the time of residency and income requirements can qualify for the tax credit if their contract for a new home is signed on Nov. 6 or later.

Q. Where can I find more information?

A. IRS web site: www.irs.gov/newsroom/article/0,,id=204671,00. Html Fadel's Web site: www.dontrent.com/housingtaxcredit. Htm Pam MacKenzie: 732-565-7295; pmackenzie@MyCentralJersey.com