The Housing Assistance Tax Act of 2008 also known as the Housing and Economic Recovery Act of 2008 (H.R. 3221 passed July 26, 2008)

Highlights

1) 1st Time Homeowner Tax Credit up to $7500
2) Property Tax Deduction for those who don't Itemize Deductions
3) Reduced Exclusion on Gain from Sale of Primary Residence
4) Other Provisions

1st Time Homeowner Tax Credit (Interest Free Loan)

This Credit must be repaid – It is really a loan

A $7,500 tax credit is available to first time home buyers, but must be repaid (interest free) over 15 years, in equal installments. It is available to those with Adjusted Gross Income (AGI) below $75,000 for single filers, $150,000 for joint filers. Effective for homes purchased between 4/9/08 and 7/1/09. The credit can not be more than 10% of the purchase price of the home (meaning homes that cost less than 75,000 may have a reduced credit).

There is a phase out provision between 150,000 and 170,000 of AGI and 75,000 and 95,000 of AGI for Joint and Single filers respectively. In the Phase out range, the credit is reduced.

The Credit is Claimed on the 2008 or 2009 Tax Return, and is available even if your tax would be zero for the year, meaning it is a refundable credit.

A first time buyer is someone who has not owned a principal residence for at least 3 years prior to purchase of the qualifying home. Owning other property such as a rental or vacation home does not disqualify eligibility.

Repayment of the Credit starts two years after the residence is purchased. If the full 7500 Credit is claimed, the Repayment would be $500 per year for 15 years. The unpaid Balance is Due in the year the home is sold, or converted from use as a primary residence, with a few exceptions. The Credit is not available if the house is resold in the year of purchase.

The Credit does not have to be repaid if the taxpayer dies. The purchase may not be from certain related parties.

Property Tax Deduction for Non-Itemizers

Filers who use the standard deduction can now deduct property taxes up to $500 ($1000 for joint filers) as an additional standard deduction. It is available only in 2008

Reduced Exclusion on Sale of Personal Residence

Gain from the Sale of a Personal Residence will not be excluded for the periods that the home was not used as a primary residence. It applies to homes sold after 12/31/2008 and will only include non-qualified use after 1/1/2009. The formula is the gain x (period of non-qualified use/period of ownership)=Taxable Gain. Non-qualified use would be conversion to Rental or Vacation use property. The exclusion maximums are still $250,000 for single filers and $500,000 for joint filers. Other conditions still apply such, as the property must be the primary residence for 2 out of last 5 years.

Other Provisions

There are many other provisions, which are aimed at helping government, Investment, and lending institutions, in an attempt to help credit availability, and have negligible effect to individual tax planning. There are also some impacts to businesses. These provisions are not covered in this overview.