



## **MAXIMIZING THE IMPACT OF THE 2009 FIRST TIME HOMEBUYER TAX CREDIT**

Let's start with the assumption that a homebuyer qualifies for the maximum of \$8000 (that is, they fit the definition of first time homebuyer, they purchase a home over \$80,000, and the fall within the income limits). We want to show our clients how to truly leverage this incentive from the Federal Government.

STEP 1: Plan to file Amended 2008 Tax Returns. After closing, you can re-file last year's taxes and take the Tax Credit against last year's income. For most people, the government will be sending you a check within 30 days of filing for the monies you are owed. There is no need to wait until 2009 for the money.

STEP 2: Pay Points on your mortgage to lower the rate. If you are borrowing \$400,000, that would be 2 points for \$8000 (or 2.5 points on a \$320,000 mortgage). Spending this additional money at closing is justified because you will be getting it back within 30 days of filing your amended returns.

Why??? Two reasons:

First, points paid will be tax deductible (as prepaid interest) when you file your 2009 Tax Returns. If you are in a 35% tax bracket, you will receive an additional \$2800 in your tax refund next year. Now, your \$8000 tax credit is worth \$10,800! But, it gets better.....

By buying down your interest rate with points, you will lower your payment. Based on where rates are today, the borrower will save another \$156/month on a \$400,000 loan. Assuming a typical seven year occupancy, that totals \$13,104, **making the \$8000 Tax Credit worth almost \$24,000!!!**

Remember, you need to close and occupy your home by November 30<sup>th</sup>, 2009 to qualify, so time is running out.

Please verify that this strategy will work for you by talking to your accountant.

Got Questions? We, at Continental, have answers.