

First-Time Homebuyers in 2009 to Reap Recovery Act Benefits

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Homeownership Could Unlock Variety of Additional Deductions

KANSAS CITY, MO, Feb 23, 2009 (MARKET WIRE via COMTEX) -- Taxpayers on the fence about buying their first home may want to consider the American Recovery and Reinvestment Act's tax credit that could mean up to an \$8,000 break on their taxes. Not only will this tax credit lower a taxpayer's tax liability by the amount of the credit, but these first-time homebuyers may reap additional benefits when filing their tax return now and for years to come while they own the home.

According to Amy McAnarney, executive directory of The Tax Institute at H&R Block (NYSE: HRB), many first-time homeowners aren't aware they may be eligible to itemize deductions for the first time.

"Homeownership is the key that could unlock thousands of dollars of tax savings," McAnarney said. "The taxpayer's joy from signing on the dotted line can extend to recognizing all of the additional tax deductions they can claim on their taxes -- if only they know how."

The benefit of the Recovery Act credit can be received now because taxpayers who have purchased a home in 2009, or who will do so before Dec. 1, 2009, can claim this credit on their 2008 original or amended return. Taxpayers, who purchased a home in 2009 and already claimed the \$7,500 credit that was part of the Economic Stimulus Act, should amend their 2008 return to claim the additional credit, up to \$500.

"The Recovery Act is doing its job of trying to stimulate the housing market," said McAnarney. "This is one credit where taxpayers can reap the benefits almost immediately."

To qualify for this year's first-time homebuyer credit, the homebuyer must not have owned a home in the previous three years and the home must be the primary residence. Unlike last year's credit, if the property remains as the homeowner's primary residence for at least three years, then the payback requirement is waived.

However, if a taxpayer bought the home in 2008, when the maximum credit was \$7,500, the payback provision still applies and the credit must be repaid to the government over 15 years starting in 2010.

There are also a number of other tax benefits to consider in owning a home. For example, owning a home makes a taxpayer more likely to itemize deductions on Schedule A. Possible tax deductions to consider when itemizing include:

- Mortgage interest
- Real and personal property taxes
- Charitable contributions
- State and local income taxes
- Loan origination fees
- Qualified medical and dental expenses
- Employee business expenses
- Tax preparation fees
- Investment interest and expenses

There is something in the Recovery Act for existing homeowners, as well. The Act also includes increased tax credits for energy-efficient improvements such as qualified new furnaces, windows and doors to existing homes. The amount of eligible credit was increased from 10 percent of the equipment cost to 30 percent. The credit applies to 2009 and 2010 tax returns, with a lifetime cap of \$1,500.

H&R Block will provide ongoing information about the Recovery Act on www.digits.hrblock.com.

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