

Homebuyer tax credit extended

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First-time homebuyers may not need to rush to buy a house by the end of the month to qualify for the homebuyer tax credit.

The U.S. Senate on Wednesday voted to extend and expand a popular tax credit for homebuyers that was scheduled to expire Nov. 30. The House is expected to schedule a quick vote on the bill, part of a package that also extends unemployment benefits for people out of work more than a year, according to The Associated Press.

The extension would allow first-time buyers to file for a tax credit up to \$8,000, and repeat home buyers up to \$6,500, according to the Joint Committee on Taxation. Steffen Niu, president of GCIC Property Management and president of the Guam Association of Realtors, said letting repeat buyers in on this incentive is beneficial because they already have proven resources to complete a purchase.

Abaca Pacific President Inc. Ramon Quinene said many people think if they've bought a house before, they would not qualify for the first-time homebuyer tax credit. However, the committee's definition of a "first-time homebuyer" includes people who have not owned a home in the previous three years. Furthermore, Niu said the credit is taken when it's time to file tax returns next year, not as a rebate at the time of purchase. Qualifying first time homebuyers would still have the opportunity to apply for it on their tax returns, he said.

The homebuyer tax credit was implemented as part of the U.S. Economic Stimulus package last year.

The principal broker at Isle Properties Realty, Norma Del Carmen, said because the deadline for this incentive was Nov. 30, in the last few months she's seen more aggressive marketing by realtors. But the problem with trying to rush into buying a house at the tail-end of this deal is it takes an average 45 days to close a deal on a house, and title searches take another three to five days, she said. Plus, in that short span, banks do not have enough time to approve loans, she said.

"Some of them do not qualify to



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For sale: Pacific Pearl Properties Principal Broker Nancy Robato shows the front area of a home that is up for sale in Paradise Estates Subdivision in Dededo yesterday. The extension of the first-time homebuyer tax credit is expected to boost homebuying activity on Guam, said industry members.

HOW IT WORKS

▲ **Tax credit:** Ten percent of the purchase price of a primary residence, up to a maximum of \$8,000 for first-time homebuyers and \$6,500 for repeat buyers. Repeat buyers must have owned their current home at least five years. The credit cannot be used for houses costing more than \$800,000.

▲ **Purchase agreements** must be signed by April 30, 2010, and closings must be final by June 30.

▲ **Military deadline:** There is an

extension by a year for those who have served outside the U.S. for at least 90 days from Jan. 1, 2009, to May 1, 2010.

▲ **How to apply:** Taxpayers can claim the credit on their federal income tax returns. If the credit exceeds their tax bill, the government will issue a tax refund. Taxpayers who want immediate refunds can amend their tax returns for 2008 to claim the credit.

Source: Joint Committee on Taxation

buy," added Nancy T. Robato, principal broker at Pacific Pearl Properties. "Not everyone is in the same income bracket."

Per the income limits set by the committee, only individuals with annual incomes of up to \$125,000 and joint filers with incomes up to \$225,000 qualify for the full credit. Individuals with incomes up to \$145,000 and joint filers with incomes up to \$245,000 qualify for reduced credits, the AP reported.

So if you do plan to buy a home, Niu suggested getting pre-approved by your bank's mortgage depart-

ment.

"Being pre-approved will ... give you the actual budget to determine if the house is affordable for you, and will speed up the process in which you can close the sale," Niu said. "Sellers prefer buyers who are already pre-approved since this eliminates much of the risk of delay for loan qualification and they know that you can meet the financial obligation."

Niu encourages people to buy a house now regardless of the extension of the deadline for the tax credit. Because mortgage rates are low right now, current renters can get

more from their monthly payment towards a house that they can own rather than the rent they are paying for an apartment or condo, he said.

"Also, home prices are more likely to rise in the near future than to significantly decrease, so it is a good idea to lock in both the prices of today along with the low interest rates," he said.

This year, Del Carmen said she did see an increase in sales as a result of the tax credit incentive.

"This was my busiest year in 12 years," she said. "When (buyers) know there's a tax break, their eyes just gleam. They become more interested (in that) than any other concessions you can throw in," she said.

But if you do choose to take advantage of this incentive, Quinene said Guam residents should remember that they won't be credited until they file their taxes.

And homebuyers probably won't see the rebate until Guam's Department of Revenue and Taxation has the funds to pay tax refunds to those who qualify for the tax credit, Quinene added.