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Extended Tax Credit Hopes To Lure More To Buy New Homes

By: Tara Lynn Wagner



The government hopes that the extension and expansion of the home buyers' tax credit will help spark the housing market. NY1's Money Matters reporter Tara Lynn Wagner filed the following report.

Karen Smith is the director of sales for 500 Fourth Avenue, a new building in Brooklyn's Park Slope. She estimates that half of the buyers who signed contracts will be taking advantage of the first-time home buyer tax credit.

Among those first-time home owners is Francesco Montagner, who expects to qualify for the maximum tax credit of \$8,000.

"It's beneficial because it helps me with the first move-in for example, the first expenses," he says. "Or, in any case, it's a great incentive. It's \$8,000."

The credit was set to expire at the end of this month, but on November 6th, was extended for another six months. It was also expanded to include more potential buyers than before.

For one thing, the income limit has been raised from \$95,000 to \$145,000 for an individual taxpayer and from \$170,000 to \$245,000 for joint filers. Also, the credit is no longer restricted to just first-time buyers. Previous homeowners can also qualify for a credit of up to \$6,500, provided they've been in their home for five consecutive years and will make this new home their primary residence.

"So that kind of opens up a whole new opportunity to upgrade to maybe a home with more amenities, better finishes, that kind of thing," Smith says. "I think that is kind of very positive for the entire market."

Attorney Luigi Rosabianca says the new law also requires greater proof of purchase, in part because of some fraudulent filings under the old version.

He also says the jury is still out on the effectiveness of this law. While he does not think it will pull people into the market, he does think it's enough to push undecided buyers over the fence.

"You speak to some experts and they said that this may have been one of the leading stimuli to housing sales," says Rosabianca, principal attorney at Rosabianca & Associates. "But in today's market, it is still difficult to get a mortgage and it's not a slam dunk."

"I think this will be one piece of the puzzle and I think that both buyers and sellers now are recognizing the opportunity for value right now and are coming out and taking advantage of things like the home buyer tax credit and the historically-low interest rate and recognizing that it's a fantastic time to buy," says Smith.

Under the terms of the extension, buyers must have a fully-executed contract in place by April 30, 2010 and close on their new home by the end of June.