



## **Client Communication Briefing – Our Growing Team & Tax Breaks for Home Buyers February 4, 2010**

### **New Face at Financial Service Group!**

You may have noticed someone you didn't recognize in the staff picture on our Annual State of the Firm report we recently mailed. I would like to formally introduce Robert "Bob" Francour as the newest addition to our team in the role of tax preparer.

It appears our advice on the changing nature of retirement worked better than we could ever imagine. Bob recently retired from Tenneco Automotive after a career of over 20 years in their tax department. As a Certified Public Accountant (CPA) with past experience preparing income taxes at both the corporate and individual level, our need for a part-time tax preparer and Bob's desire to supplement his income in retirement were a perfect match.

I will still continue to be involved in the tax preparation process but don't be surprised if you receive a call asking for further information on a tax question from Bob. Bob's experience and enthusiasm for all things tax-related is a welcomed addition to our growing team.

### **Tax Breaks for Home Buyers**

Lately, Congress has been obsessed with encouraging people to buy houses. The Economic Recovery Act of 2008, the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership and Business Assistance Act of 2009 all included tax credits for people who buy a home, each one more generous than the last.

The most recent credit, passed last November, would give any person who hasn't owned a home for the past three years a tax credit equal to 10% of the purchase price, up to \$8,000, so long as 1) the contract is signed before May 1 of this year and 2) the buyers subsequently live in the house as their principal residence for at least three years.

Of course, this is all subject to income restrictions. The full credit is available to single taxpayers with income of less than \$125,000; joint filers earning up to \$225,000; it phases out altogether at incomes above \$145,000 and \$245,000 respectively.

There's a smaller \$6,500 credit for anybody who has owned and lived in the same home for five consecutive years during the eight years before buying a new residence. This credit might be appropriate for families who are looking to move into a larger home, or retired persons who might want to downsize their residence. (They, too, must live in the purchased house for the next three years in order to claim the credit, and the same income restrictions apply.)

There seems to be a rule in Congress that no tax initiative can ever be simple. To qualify for the credit, you can't buy a house from a relative, and you can't claim the credit if you can be



claimed as a dependent on another person's tax return. The buyer or buyer's spouse must be at least 18 years of age, and the price of the home being purchased cannot exceed \$800,000. Another complexity: if you qualify for the credit, you can claim it on your 2010 tax return, or jump in the time machine and claim it on your 2009 return.

If there is more than one buyer, and they are not married, the IRS allows them to give the full credit to whichever buyer qualifies for it. Thus, parents who earn more than the threshold income can buy a house for their son or daughter. If the kids pay something toward the purchase price, they'll be able to claim the full credit on their tax returns.

We have a couple of clients already taking advantage of the existing homebuyer credit in their efforts to move to more appropriate housing based on their current needs. Please let us know if you would like to discuss this opportunity further.

Appreciatively,

Justus Morgan, CFP<sup>®</sup>, EA