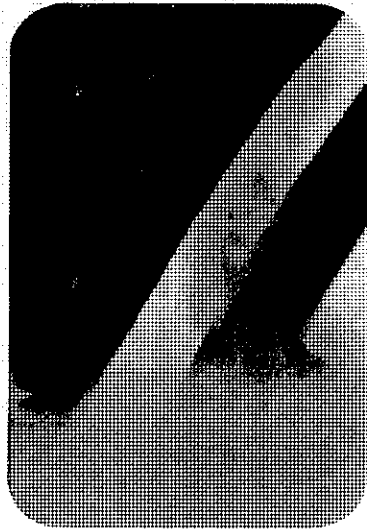


An up to \$8,000 Federal Tax Credit

On Tuesday, February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009, authorizing an \$8,000 federal tax credit for qualified first-time home buyers purchasing a home on or after January 1, 2009 and before December 1, 2009. The following questions and answers (FAQ's) are designed to provide you with general guidance regarding the segment of the Act that deals with the new Tax Credit. This information is not intended to provide you with legal or tax advice. You should consult your attorney or tax advisor for a full understanding of the new law.

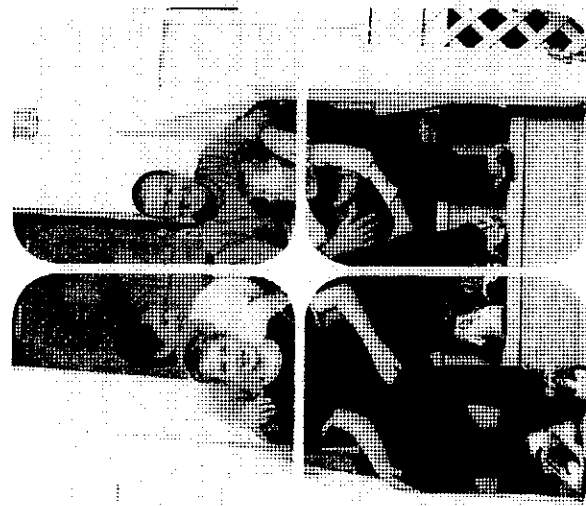


Ask About It!

An up to

\$8,000

Federal Tax Credit!



If you are a first-time home buyer (or haven't owned a home in the past three years), you may be eligible for up to \$8000 in federal tax credits when you buy a home.



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NOTE OF DISCLAIMER:

Consult your Attorney, CPA and/or Tax Preparer for the legal or tax impact and consequences of this tax credit.

Carpenter Company, Inc. is providing this information for general guidance only. This information does not constitute the provision of legal or tax advice, or professional consulting of any kind. Before making any decision or taking any action on this information, you should consult a qualified professional advisor. This information is provided "as is" with no assurance or guarantee of completeness, accuracy, or timeliness.

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Frequently Asked Questions

Q: Who is eligible to claim the \$8,000 tax credit?

A: First-Time home buyers purchasing any type of owner-occupied home – new or resale – are eligible for the “tax credit.” To qualify, a home must be purchased on or after January 1, 2009 and before December 1, 2009. The purchase date is considered the closing date.

The taxpayer’s “Modified Adjusted Gross Income (MAGI) is limited to \$75,000 for single taxpayers and \$150,000 for married taxpayers. There are some partial tax credits available if the MAGI exceeds the limits. (See below).

Q: What is a tax credit?

A: A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. That means a taxpayer who owes \$8,000 in federal income taxes, and who receives a \$8,000 tax credit, would owe nothing to the IRS.

If the taxpayer owes \$1,000 in federal income taxes and uses the new tax credit, they would receive a \$7,000 refund. This type of tax credit is called a “refundable” credit.

Q: The tax credit is “refundable.” What does that mean?

A: The fact the tax credit is “refundable” means the home buyer’s credit can be claimed even if the taxpayer has little or no federal income tax liability to offset the credit. Typically, this involves the government sending the taxpayer a refund check for a portion or even all of the amount of the refundable tax credit.

Q: What is the definition of a “First-time Home Buyer?”

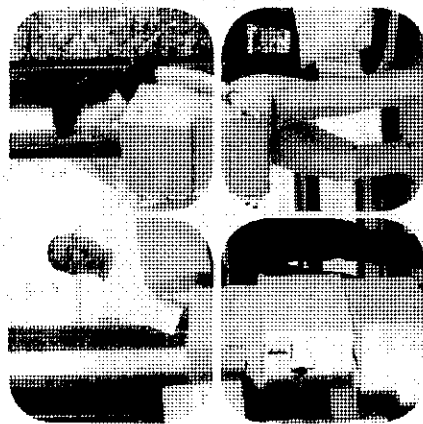
A: The new law defines “first-time home buyer” as a buyer who has not owned a principal residence during the three-year period prior to purchase. For married taxpayers, the law tests the home history of both the home buyer and his/her spouse. If one does not qualify, then the married couple does not qualify.

Q: What type of home qualifies?

A: Any home purchased by an eligible first-time home buyer will qualify for the credit, provided the home will be used as a principal residence and the buyer has not owned a home in the previous three years. This includes single-family detached homes and attached homes like condos and townhomes.

Q: If the home is modestly priced, is the tax credit still \$8,000?

A: Generally, for home buyers purchasing a home priced less than \$80,000, the tax credit is equal to 10% of the purchase price. Therefore, a first-time home buyer purchasing a home for \$65,000 would receive a \$6,500 tax credit.



and deductions for higher education costs. Questions about the taxpayer’s MAGI should be directed to their tax preparer, CPA or attorney.

Q: If the Modified Adjusted Gross Income (MAGI) is above the limit, do I qualify for any tax credit?

A: Maybe. It depends on your income. Partial credits of less than the \$8,000 are available for some taxpayers whose MAGI exceeds the phase-out limits. The credit becomes totally unavailable for individual taxpayers with a MAGI of more than \$95,000 and for married taxpayers filing joint returns with a MAGI of more than \$170,000.

As an example of the “phase-out”, assume a married couple has a MAGI of \$160,000 (\$10,000 above the \$150,000 limit). Dividing the \$10,000 overage by \$20,000 (\$20,000 is the set number for this calculation single or married taxpayers(s)) equals 0.5. When you subtract the 0.5 from 1, that gives you 0.5. To determine the amount of partial credit, multiply \$8,000 by the 0.5 and you have \$4,000. That’s the partial tax credit allowed in this example.

Q: Do I have to repay the tax credit?

A: No. If the taxpayer lives in the home as their principal residence for a minimum of three years, there is no repayment. If the taxpayer fails to live in the property for the three year period, the entire amount of the tax credit is recaptured upon sale of the property.

Q: What paperwork is required prior to or at the Closing?

A: None. At this time, the paperwork required to claim the tax credit will be completed by the taxpayer or their tax preparer for their tax return filing.

Q: What is “Modified Adjusted Gross Income” (MAGI)?

A: “Modified Adjusted Gross Income” (MAGI) is defined by the IRS. To find it, a taxpayer must first determine “adjusted gross income” (AGI). On IRS Form 1040 and 1040A, AGI is the last number on page 1 and is the first number on page 2 of the form. For Form 1040EZ, AGI appears on line 4.

After you have the AGI, add certain amounts such as foreign income, foreign housing deductions, student loan deductions, IRA contribution deductions

