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Government extends closing window

On July 2, President Barack Obama signed H.R. 5623, the "Homebuyers Assistance and Improvement Act of 2010," which extends the date by which purchasers must close on their home in order to be eligible for the homebuyer tax credit.

Eligible buyers with contracts signed by April 30 previously had until June 30 to close. The new law extends that deadline to Sept. 30. The Act became necessary due to the excessive number of potential homebuyers working with mortgage lenders, attorneys and settlement agents to close on their new homes.

Transactions since the real estate market crash have taken longer to close because of tighter lending guidelines along with the increased number of foreclosures and short-sale purchases that have longer approval times.

The crunch of the June 30 deadline became so intense that it was estimated by the National Association of Realtors that 180,000 deals nationwide — including nearly 10,000 in New York State — would miss the deadline and lose out on the tax credit.

The credit began in spring 2008, offering first-time homebuyers up to \$7,500, to be repaid interest-free on personal income tax returns through a 15-year period. The credit was extended and modified in November 2009. The repayment requirement for the most part was eliminated, and the credit was raised to a maximum of \$8,000 for first-time homebuyers. In addition, a tax credit of \$6,500 was offered to long-time homeowners, which for the most part also does not require repayment. In addition to those modifications, income limits for potential homeowners were raised, which expanded the

reach of the tax credit.

Other changes included in November were: the elimination of a tax credit for any home with a purchase price of more than \$800,000; no dependents can receive the tax credit; and homeowners must be at least 18 years old on the date of purchase to receive the credit.

Qualified military service members who are on a period of official extended duty also will see the dates extended: The credit applies to sales with a binding contract in place by April 30, 2011, closed by June 30, 2011.

A person who must return to the U.S. for medical reasons before completing an assignment of at least 90 days of qualified official extended duty outside of the United States may qualify for the same one-year extension.

The July 2 legislation also includes provisions designed to reduce fraudulent claims for the credit. The U.S. Treasury Inspector General reported recently that prisoners took advantage of more than \$9 million in bogus homeowner tax credits. The IRS now is permitted to disclose tax return information to state prison agencies.

The recent extension should give attorneys, lending institutions and homebuyers adequate time to complete their closings and receive the tax credit.

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