

Tax TALK

The American Recovery and Investment Act of 2009, part of the federal stimulus plan enacted in February 2009, provided most



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individuals and businesses with a measure of federal tax relief. Although the Act could have done a lot more for the beleaguered construction industry, it did toss us a couple of bones.

First, previous tax credits for making energy-efficient home improvements such as new insulation, replacing old windows and installing efficient heat pumps were extended and expanded. For tax years 2009 and 2010 the credit increases from 10% to 30% of the cost and is capped at \$1500 per taxpayer. This is

a credit and not a deduction. Therefore Uncle Sam will reimburse the homeowner up \$1500 to upgrade their home.

In addition, the First-time Homebuyer Credit (FTHC) was revised to be a true credit. Under the old tax code it was treated as an interest free loan that had to be repaid over 15 years. The new credit is equal to 10% of the purchase price or \$8,000—whichever is less—and is refundable. The FTHC has been extended to purchases under contract by April 30, 2010 and closed by June 30, 2010.