

\$8,000 Tax Credit for First Time Homebuyers

Note: This is intended to provide an overview only – for specific information or individual concerns, please contact your lawyer, accountant and/or financial advisor.

Congress has recently passed a federal income tax credit for first-time homebuyers that is the lesser of either 10% of the home's cost or \$8,000.

This will be available to qualified first-time home buyers for the purchase of a principal residence between January 1, 2009 and before December 1, 2009.

For example:

- The tax credit is available for first-time homebuyers or those who have not owned in the last three years.
- The credit does not require repayment (unlike the 2008 iteration of the credit). The credit will be claimed on a tax return to reduce the purchaser's income tax liability. If any credit amount remains unused, then the unused amount will be refunded.
- If the home is sold within three years of purchase, the entire amount of credit is recaptured on sale.

This measure can help to significantly lower housing inventory, bring stability to home values and move the country closer to economic recovery. Many industry experts have said that the tax credit for first time homebuyers could result in up to 300,000 additional home purchases each year.

The following chart provides more information:

FEATURE	FIRST-TIME HOMEBUYER FEDERAL INCOME TAX CREDIT: EFFECTIVE FOR PURCHASES ON OR AFTER JANUARY 1, 2009 AND BEFORE DECEMBER 1, 2009
Amount of Credit	The amount of the homebuyer federal income tax credit is the lesser of 10% of the cost of the home bought or \$8,000.
Eligible Property	Any single-family residence (including a condo, co-op, or townhouse) may be an eligible property under the homebuyer income tax credit, provided it will be used as the homebuyer's principal residence.
Refundable	This homebuyer income tax credit reduces income tax liability. The \$8,000 tax credit is a clean refundable credit, unlike the one that was passed last summer, which required a repayment. If you qualify as a first-time buyer (i.e., haven't been a homeowner in the past 3 years), then you can claim the \$8,000 to reduce your tax burden. If the \$8,000 is greater than the tax you owe, then you will get a refund check for the difference. Example: you owe \$2,000 in taxes on April 15, 2010. But if you bought a home before the stimulus expiration on Dec. 1, 2009, then you will get a tax refund check for \$6,000 from the IRS.*
Income Limit	In order to be eligible for the homebuyer income tax credit in full, the homebuyer can have an annual adjusted gross income of no more than \$75,000 (\$150,000 on a joint return). A homebuyer with an annual adjusted gross income above that level and up to \$95,000 (\$170,000 on a joint return) is eligible for a reduced tax credit.
First-time Homebuyer Only	The homebuyer income tax credit is designed for first-time homebuyers, which means the homebuyer (and/or the homebuyer's spouse) can not have owned a principal residence in the 3 years prior to purchase of the eligible property.

Revenue Bond Financing	A homebuyer who utilizes revenue bond financing may be eligible for the homebuyer income tax credit.
Repayment	There is no repayment of the homebuyer income tax credit by the homebuyer.
Recapture	However, if the eligible property is resold within three years of purchase, the entire amount of homebuyer income tax credit is recaptured on the sale.
Effective Date	The First-Time Homebuyer Federal Income Tax Credit is effective for purchases on or after January 1, 2009 and before December 1, 2009. This guide reflects a modification from the First-Time Homebuyer Federal Income Tax Credit, which remains in effect for homes purchased by eligible homebuyers between April 9, 2008 and Dec. 31, 2008.

Information courtesy of <http://www.realtor.org> and <http://www.whitehouse.gov>

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