

First-Time Homebuyer Federal Tax Credit

As part of the "American Recovery and Reinvestment Act" that was recently signed into law, Congress has created a new, temporary federal income tax credit to provide an incentive for first-time homebuyers. This is good news for first-time homebuyers, and it is also a great opportunity for you as a real estate professional to educate your clients and make them aware of how they can benefit from this tax credit.

The highlights of this federal tax credit are as follows:

The credit is good for qualified home purchases closed after January 1, 2009, and before November 30, 2009, and can be taken on tax returns filed during 2008 or 2009. The amount of the federal tax credit is for 10% of the cost of the home, up to a maximum credit of \$8,000.

Eligible homebuyers may claim the credit on their tax return. No other forms or papers have to be filed. Consumers who have already completed their returns can file amended returns for 2008 in order to claim the credit.

Unlike a tax deduction, the tax credit is a straight, dollar-for-dollar tax credit that will be paid out to eligible taxpayers, even if they owe no tax, or the credit is more than the tax that they owe.

In essence, this is a credit consumers will receive on a dollar-for-dollar basis on their personal income tax return and will not have to pay back. The only stipulation is that the first time home buyer must remain in the house for 3 years, or they will be required to pay back the credit.

Who is Eligible?

The tax credit is for first-time homebuyers only. In this case, a first-time homebuyer is defined as an individual who has not owned a primary home at any time during the past three years, but who may have done so previously. Although certain income limits do apply, the amount of the credit is the same for all taxpayers, married or single.

Individuals whose Form 1040 filing status is single (or head of household) are eligible for the tax credit if their income is no more than \$75,000. Individuals who file a joint return may have no more than \$150,000 in income. Individuals with incomes between \$75,001 and 94,999 (single) or \$150,001 and \$169,999 (joint returns) are eligible for a partial tax credit. Individuals with incomes greater than \$95,000 (single) or \$170,000 (joint return) are not eligible for this tax credit.



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