

## 2008 Housing Stimulus Legislation First-Time Home Buyer Tax Credit Fact Sheet

### Who is Eligible

- The \$7,500 tax credit is available for first-time home buyers only.
- The law defines a first-time home buyer as a buyer who has not owned a home during the past three years.
- All U.S. citizens who file taxes are eligible to participate in the program.

### Types of Homes that Qualify for the Tax Credit

- All homes, whether single-family, townhomes or condominiums will qualify.
- However, there are several conditions:
  - The home must be used as a principal residence, and
  - The buyer has not owned a home in the prior three years.
- The Tax Credit includes newly-constructed homes.

### Income Limits

- Home buyers who file as single or head-of-household taxpayers can claim the full \$7,500 credit if their adjusted gross income (AGI) is less than \$75,000.
- For married couples filing a joint return, the income limit doubles to \$150,000.
- Single or head-of-household taxpayers who earn between \$75,000 and \$95,000 are eligible to receive a **partial** first-time home buyer tax credit.
- Married couples filing jointly who earn between \$150,000 and \$170,000 are eligible to receive a **partial** first-time home buyer tax credit.
- The credit is not available for single taxpayers whose AGI is greater than \$95,000 and married couples filing jointly with an AGI that exceeds \$170,000.

### Effective Dates for the Tax Credit

- First-time home buyers would receive a \$7,500 tax credit for the purchase of any home on or after April 9, 2008 and before July 1, 2009. To qualify, you must actually close on the sale of the home during this period.

### Tax Credit is Refundable

- A refundable credit means that if you pay less than \$7,500 in federal income taxes, then the government will write you a check for the difference.
  - For example, if you owe \$5,000 in federal income taxes, you would pay nothing to the IRS and receive a \$2,500 payment from the government.
  - If you are due to receive a \$1,000 tax refund from the government, your refund would grow to \$8,500 (\$1,000 plus \$7,500 from the home buyer tax credit).
- If you purchased the home in 2008, the tax credit is taken on your 2008 tax return. If you buy in 2009, you have the option of taking the credit on your 2008 or 2009 tax returns.

### Payback Provisions

- The tax credit is an interest-free loan that must be repaid over 15 years.
- The minimum repayment amount must be 15 equal annual installments. For example, if the credit amount is \$7,500, then the home buyer must repay a minimum of \$500 each year for 15 years.

- A home buyer must begin repaying the credit two tax years after claiming the credit. For example, if the credit is claimed on the 2008 tax return, repayment of \$500 (or less, if the credit amount is less than \$7,500) per year begins with the 2010 return.
- If the home owner sells the home for a profit and there is a remaining credit, then the home owner is required to repay the remaining credit during the tax year of the home sale. The amount of the repayment will depend upon the amount of profit from the home sale:
  - If the profit on the sale is more than the remaining credit, then the home owner must repay the entire remaining credit.
  - If the profit on the sale is less than the remaining credit, then the home owner must repay an amount equal to the profit on the home sale. The remaining credit payback will be forgiven.
- If the home owner sells the home but did not make any profit on the home sale, then the remaining credit payback would be forgiven.

Further information regarding the tax credit may be found at [www.federalhousingtaxcredit.com](http://www.federalhousingtaxcredit.com) or [www.irs.gov](http://www.irs.gov).

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