

First – Time Homebuyer Tax Credit: The Basics

The new economic stimulus legislation signed into law by President Obama on Feb. 17 contains several provisions that will be beneficial for many builders – and help stimulate demand for housing, NAHB Chairman Joe Robinson, a home builder from Tulsa, Okla., said, “We are certainly hopeful that the newly passed economic stimulus bill, which includes some favorable elements for the first-time home buyers and small businesses, will have a positive impact that will help get housing and the economy back on track.” The legislation created a bigger and better home buyer tax credit than the one that was enacted in July last year. A key difference is that the precious tax credit was an interest-free loan and had to be repaid over 15 years, while the new credit is a true tax credit and does not have to be repaid. “The new tax credit provides a great opportunity for the first-time home buyers, said Robinson. “Combined with today’s near-record low interest rates, the large selection of homes on the market and very competitive pricing, the tax credit should be the extra incentive needed to get prospective buyers who have been sitting on the fence into the market.”

Q: Who is eligible to use the tax credit?

A: The \$8,000 tax credit is available for first-time home buyers only. The law defines “first-time home buyer” as a buyer who has not owned a principal residence during the three year periods prior to the purchase. All U.S. citizens who file taxes are eligible to participate in the program.

Q: Are there any payback provisions?

A: The tax credit is a true credit. It does not have to be repaid. The only repayment requirement is if the homeowner sold the home within three years after the purchase.

Q: Are there income limits to qualify for the credit?

A: Home buyers who file single or head-of-household taxpayers can claim the full \$8,000 credit if the modified adjusted gross income (MAGI) is less than \$75,000. For married couples filing 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 who earn between \$150,000 and \$170,000 are eligible to receive a partial first-time home buyer credit. The credit is not available for single taxpayers whose MAGI is greater than \$95,000 and married couples with a MAGI that exceeds \$170,000.

Q: What are the effective dates for the tax credit?

A: First-time home buyers would receive an \$8,000 tax credit for the purchase of any home on or after Jan. 1, 2009 and before Dec. 1, 2009. To qualify, you must actually close on the sale of the home during this period.

Q: Is the tax credit refundable?

A: Yes. A refundable credit means that if you pay less than \$8,000 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 \$3,000 payment from the government. If you are due to receive a \$1,000 tax refund from the government, your refund would grow to \$9,000.

Q: What years can buyers apply the tax credit to their tax returns?

A: Buyers can take the tax credit on their 2008 or 2009 income tax returns.

Q: What types of homes qualify for the tax credit?

A: All homes, whether single-family, townhomes or condominium apartments will qualify, provided that the home will be used as a principal residence and the buyer has not owned a principal residence in the prior three years. This also includes newly-constructed homes. The consumer Web site, www.federalhousingtaxcredit.com, features content in English and Spanish, and also describes other housing-related and small business measures in the legislation and a number of home-buying resources for consumers.