

A CONSUMER GUIDE TO THE FIRST-TIME HOMEBUYER FEDERAL INCOME TAX CREDIT

As Modified in the American Recovery and Reinvestment Act

February 2009

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.

* Seek advice from a professional tax advisor for specific tax calculations and timing for claiming the tax credit.

SOURCE: Based on information provided by the [National Association of Realtors](#). For modifications from prior tax credit announced in April 2008, [click here](#).