

**Thinking of buying a home?
Don't miss out on the \$8,000
First-Time Homebuyer
Tax Credit!**



**For more information
Please visit:**

www.federalhousingtaxcredit.com

The American Recovery And Reinvestment Act of 2009



**How the \$8,000
First-Time Homebuyer Tax
Credit can help You!**

Tax Credit FAQ's

Who is eligible for the tax credit?

First-time homebuyers purchasing any kind of home-new or resale-are eligible for the tax credit. To qualify for the tax credit, a home purchase must occur on or after January 1, 2009 and before December 1, 2009. for the purposes of the tax credit, the purchase date is the date when closing occurs and the title to the property transfers to the home owner.

What is the definition of a first-time home buyer?

The law defines "first-time home buyer" as a buyer who has not owned a principal residence during the last three-year period prior to the purchase. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse.

How is the amount of tax credit determined?

The tax credit is equal to 10 percent of the home's purchase price up to a maximum on \$8,000.

Are there any income limits for claiming the tax credit?

Yes. The income limit for single taxpayers is \$75,000; the limit is \$150,000 for married taxpayers filing a joint return. The tax credit amount is reduced for buyers with a modified adjusted gross income (MAGI) of more than \$75,000 for single taxpayers and \$150,000 for married taxpayers filing a joint return. The phase out range for the tax credit program is equal to \$20,000. That is, the tax credit amount is reduced to zero for taxpayers with MAGI of more than \$95,000 (single) or \$170,000 (married) and is reduced proportionally for taxpayers with MAGIs between these amounts.

Can you give me an example of how the tax credit is determined?

Yes, assume that a married couple has a modified adjusted gross income of \$160,000. The applicable phase out to qualify for the tax credit is \$150,000, and the couple is \$10,000 over this amount. Dividing \$10,000 by the phase out range of \$20,000 equals 0.5. When you subtract 0.5 from 1.0 the result is 0.5. To determine the amount of the partial first-time home buyer tax credit that is available to this couple, multiply \$8,000 by 0.5. The result is \$4,000.

*** Please remember that this example is intended to give you a general idea of how the tax credit works. Please consult your tax advisor for specific circumstances.***

How do I claim the tax credit? Do I need to complete an application?

Participating in the tax credit program is easy. You claim the tax credit on your federal income tax return. Specifically, home buyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on line 69 of their 1040 income tax return. No other applications or forms are required, and no pre-approval is necessary. However, you will want to be sure you qualify for the credit under the income limits and first-time home buyer tests.

I read that the tax credit is "Refundable" What does that mean?

The fact that the credit is refundable means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically, this involves the government sending the taxpayer a check for the portion or even all of the amount of the refundable tax credit.

Instead of buying a new home from a home builder, I hired a contractor to construct a home on a lot that I already own. Do I still qualify for the tax credit?

Yes. For the purposes of the home buyer tax credit, a principal residence that is constructed by the home owner is treated by the tax code as having been "purchased" on the date the owner first occupies the house. In this situation, the date of the first occupancy must be on or after January 1, 2009 and before December 1, 2009.

In contrast, for newly-constructed homes bought from a home builder, eligibility for the tax credit is determined by the settlement date.

Is the tax credit the same as a tax deduction?

No. A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. This means that a taxpayer who owes \$8,000 in income taxes and who receives an \$8,000 tax credit would owe nothing to the IRS.

A tax deduction is subtracted from the amount of income that is taxed. Using the same example, assume the taxpayer is in the 15 percent tax bracket and owes \$8,000 in income taxes. If the taxpayer receives an \$8,000 deduction, the taxpayer's tax liability would be reduced by 1,200 (15 percent of \$8,000) , or lowered from \$8,000 to \$6,800.

I bought a home in 2008. Do I qualify for this credit?

No, but if you purchased your first home between April 9, 2008 and January 1, 2009, you may qualify for a different tax credit.