

## Tax Credit for Homebuyers

### First-Time Homebuyers (FTHBs)

First-time homebuyers (that is, people who have not owned a home within the last three years) may be eligible for the tax credit. The credit for FTHBs is 10% of the purchase price of the home, with a maximum available credit of \$8,000.

Single taxpayers and married couples filing a joint return may qualify for the full tax credit amount.

### Current Owners

The tax credit program now gives those who already own a residence some additional reasons to move to a new home. This incentive comes in the form of a tax credit of up to \$6,500 for qualified purchasers who have owned and occupied a primary residence for a period of five consecutive years during the last eight years.

Single taxpayers and married couples filing a joint return may qualify for the full tax credit amount.

## What are the New Deadlines?

In order to qualify for the credit, all contracts need to be in effect no later than April 30, 2010 and close no later than June 30, 2010.

## Tax Credit Versus Tax Deduction

It's important to remember that the tax credit is just that... a tax *credit*. The benefit of a tax credit is that it's a dollar-for-dollar tax reduction, rather than a reduction in a tax liability that would only save you \$1,000 to \$1,500 when all was said and done. So, if a first-time homebuyer were to owe \$8,000 in income taxes and would qualify for a tax credit of \$8,000, she would owe nothing.

Better still, the tax credit is refundable, which means the homebuyer can receive a check for the credit if he or she has little income tax liability. For example, if a first-time homebuyer is eligible for a tax credit of \$8,000 but is liable for \$4,000 in income tax, she can still receive a check for the remaining \$4,000!

## Higher Income Caps

The amount of income someone can earn and qualify for the full amount of the credit has been increased.

Single tax filers who earn up to \$125,000 are eligible for the total credit amount. Those who earn more than this cap can receive a partial credit. However, single filers who earn \$145,000 and above are ineligible.

Joint filers who earn up to \$225,000 are eligible for the total credit amount. Those who earn more than this cap can receive a partial credit. However, joint filers who earn \$245,000 and above are ineligible.

## Maximum Purchase Price

Qualifying buyers may purchase a property with a maximum sale price of \$800,000.

*This has been prepared to help you understand some of the features of the first time homebuyer tax credit. Every transaction is different; this information should not be viewed as a replacement for professional advice. Speak with professionals and never hesitate to ask the questions that will ensure that you have a firm grasp of the financial commitment you are about to undertake.*