

Revised First-time Home Buyer Tax Credit

February 27, 2009

As part of the recent stimulus package, a new first-time buyer tax credit was created:

- First time buyers (not owned home in previous 3 years) can get a refundable tax credit for 10% of the purchase price of their new home – up to \$8,000 (not the \$7,500 for the current credit).
- The credit is obtained by filing a tax return. It is refundable meaning that buyers get a check back for that amount from the federal government only limited by any outstanding tax liability. The buyer can choose to apply it to either their 2008 or 2009 tax return.
- A key change from the previous credit is that this credit does not need to be repaid as long as the buyer keeps the house for three years. If sold in under three years, the credit is repaid with the amount repaid capped at the amount of gain on the home when sold. The previous version required repayment over a 15 year period.
- The full credit is available for single individuals earning less than \$75,000 or married couples earning less than \$150,000 and is phased out for income levels above these.
- The previous credit was not available to those use the most common form of IHFA loan. The new credit is for all first-time buyers using whatever form of financing: cash, VA, FHA, IHFA, Rural Development, Conventional or seller financing.
- The credit cannot be used if the home is gifted or inherited by the buyer nor can they purchase from an immediate family member or entity in which they have significant interest.
- The credit is available for home purchases between January 1, 2009 through November 30, 2009.