

Frequently Asked Questions About the First-Time Home Buyer Tax Credit

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Who is eligible?

First-time home buyers 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 on or before April 30, 2010. In cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.

What is the definition of a 1st Time Homebuyer?

The law defines “first-time home buyer” as a buyer who has not owned a principal residence during the three-year period prior to the purchase. Married couples are not eligible to claim the first-time home buyer tax credit if either spouse has previously owned a home. They may, however, qualify for the repeat home buyer tax credit.

Are there any income limits for claiming the tax credit?

The income limits for sales occurring on or after January 1, 2009 and on or before November 6, 2009, are \$75,000 for single taxpayers and \$150,000 for married taxpayers filing joint returns.

How is the amount of the tax credit determined?

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

How do I claim the tax credit?

You claim the tax credit on your federal income tax return. Home purchases in 2010 may be claimed on an amended 2009 income tax return.

What types of homes will qualify for the tax credit?

Any home that will be used as a principal residence will qualify for the credit, provided the home is purchased for a price less than or equal to \$800,000. This includes single-family detached homes, attached homes like townhouses and condominiums, manufactured homes (also known as mobile homes) and houseboats.

Is a tax credit the same as a tax deduction?

No. A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. That 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.

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 a portion or even all of the amount of the refundable tax credit. For example, if a qualified home buyer expected, notwithstanding the tax credit, federal income tax liability of \$5,000 and had tax withholding of \$4,000 for the year, then without the tax credit the taxpayer would owe the IRS \$1,000 on April 15th. Suppose now that the taxpayer qualified for the \$8,000 home buyer tax credit. As a result, the taxpayer would receive a check for \$7,000 (\$8,000 minus the \$1,000 owed).

Does the tax credit have to be repaid?

The first-time home buyer tax credit does NOT have to be repaid unless the home is sold or ceases to be used as the buyer’s principal residence within three years after the initial purchase.