

2009-2010 Home Buyer Federal Tax Credit Fact Sheet

Who is Eligible

- First-time home buyers, who are defined by the law as buyers who have not owned a principal residence during the three-year period prior to the purchase, may be eligible for up to an \$8,000 tax credit.
- Existing home owners who have been residing in their principal residence for five consecutive years out of the last eight and are purchasing a home to be their principal residence (“repeat buyer”), may be eligible for up to a \$6,500 tax credit.
- All U.S. citizens who file taxes are eligible to participate in the program.

Income Limits

- Home buyers who file as single or head-of-household taxpayers can claim the full credit (\$8,000 for first-time buyers and \$6,500 for repeat buyers) if their modified adjusted gross income (MAGI) is less than \$125,000.
- For married couples filing a joint return, the combined income limit is \$225,000.
- Single or head-of-household taxpayers who earn between \$125,000 and \$145,000, and married couples who earn between \$225,000 and \$245,000 are eligible to receive a partial credit.
- The credit is not available for single taxpayers whose MAGI is greater than \$145,000 and married couples with a MAGI that exceeds \$245,000.

Effective Dates

- The eligibility period for the tax credit is for homes purchased after Nov. 6, 2009, and before May 1, 2010. However, home purchases subject to a binding sales contract signed by April 30, 2010, will qualify for the tax credit provided closing occurs prior to July 1, 2010.

Types of Homes that Qualify

- All homes with a purchase price of less than \$800,000 qualify, including newly-constructed or resale, and single-family detached, townhomes or condominiums, provided that the home will be used as their principal residence. Vacation home and rental property purchases do NOT qualify.

Tax Credit is Refundable

- A refundable credit means that if the amount of income taxes you owe is less than the credit amount you qualify for, the government will send you a check for the difference.
- For example:
 - A first-time buyer who qualifies for the full \$8,000 credit who owes \$5,000 in federal income taxes would pay nothing to the IRS and receive a \$3,000 payment from the government. If you are due to receive a \$1,000 refund, you would receive \$9,000 (\$1,000 plus the \$8,000 first-time home buyer tax credit).
 - A repeat buyer who owes \$5,000 would pay nothing to the IRS and receive \$1,500 back from the government. If you are due to get a \$1,000 refund, you would get \$7,500 (\$1,000 plus the \$6,500 repeat buyer tax credit).
- All qualified home buyers can take the tax credit on their 2009 or 2010 income tax return.

Payback Provisions

- The tax credit is a true credit. It does not have to be repaid unless the home owner sells or stops using the home as their principal residence within three years after the purchase.