

## 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.

# NAR Issue Brief

## Homebuyer Tax Credit



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<b>FEATURE</b>	<b>Jan 1 – November 30, 2009 Rules as enacted February 2009</b>	<b>November 7 – April 30, 2010 Rules as enacted November 2009</b>
<b>First-time Buyer Amount of Credit</b>	\$8000 (\$4000 married filing separate)	\$8000 (\$4000 married filing separate)
<b>First-time Buyer Definition for Eligibility</b>	May not have had an interest in a principal residence for 3 years prior to purchase	Same
<b>Current Homeowner Amount of Credit</b>	No Provision	\$6500 (\$3250 married filing separate)
<b>Effective Date Current Owner</b>	No Provision	November 7, 2009
<b>Current Homeowner Definition for Eligibility</b>	No Provision	Must have used the home sold or being sold as a principal residence consecutively for 5 of the previous 8 years
<b>Termination of Credit</b>	Purchases after November 30, 2009. (Becomes April 30, 2010 on Date of Enactment.)	Purchases after April 30, 2010
<b>Binding Contract Rule</b>	None	So long as a written binding contract to purchase is in effect on April 30, 2010, the purchaser will have until July 1, 2010 to close.
<b>Income Limits (Note: Increased income limits are effective as of date of enactment of bill)</b>	\$75,000 – single \$150,000 – married Additional \$20,000 phase out	\$125,000 – single \$225,000 – married Additional \$20,000 phase out
<b>Limitation on Cost of Purchased Home</b>	None	\$800,000 November 7, 2009
<b>Purchase by a Dependent</b>	No Provision	Ineligible November 7, 2009
<b>Anti-fraud Rule</b>	None	Purchaser must attach documentation of purchase to tax return