

The 2009 First-Time Homebuyer Tax Credit

National Association of Realtors®

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Overview

- 2008 \$7,500 First-Time Homebuyer Tax Credit.
- Into effect April 8, 2008 with July 1, 2009 expiration
- **The big problem**: It had to be repaid over 15 years. People viewed it as a debt.

Credit Details

- The new Credit is an \$8,000 REFUNDABLE Tax Credit (or up to 10% of the purchase price).
 - So if the property is \$75,000, the credit is only \$7,500. (Assume a property over \$80,000 for the rest of the discussion).
- Refundable means that if your total tax liability in the given year is less than \$8,000, the IRS will send a refund for the balance.

Refundability – Why it's Important

- Many taxpayers do not have tax liability that exceeds \$8,000.
 - For example, according to the 2008 IRS Tax Tables:
 - A single filer would need \$46,600 in taxable income to have \$8,000 in tax liability.
 - A couple would need \$58,600 in taxable income to have \$8,000 in tax liability.

How it Works

Taxes Due	\$6000
Amount Withheld	<u>6000</u>
Additional Payment	\$ 0
Tax credit	<u>\$8000</u>
REFUND	\$8000

How it Works

Taxes Due	\$ 9800
Amount Withheld	<u>11,000</u>
Refund Before Credit	\$ 1,200
Homebuyer Credit	\$ <u>8000</u>
REFUND WITH CREDIT	\$ 9,200

How it Works

Taxes Due	\$ 7,200
Estimated Tax Payments	<u>5,000</u>
Additional Payments	\$ 2,200
Tax Credit	\$ <u>8,000</u>
REFUND	\$ 5,800

Who cannot take the credit?

If any of the following:

- Your income exceeds the phase-out range. Joint filers with Modified Adjusted Gross Income (MAGI) of **\$170,000** and above and other taxpayers with MAGI of **\$95,000** and above.
- You buy your home from a close relative.
- You stop using the home as your principal residence.
- You sell your home before the end of three years.
- You are a nonresident alien.

First-Time Homebuyer Definition

- If the last time you owned a home was 2005, you are eligible for the credit even though it is really not your “first” home.
- Someone who did not own another main home at any time during the three years prior to the date of purchase.

First-Time Homebuyer Definition

- Only one spouse is first-time homebuyer
 - \$4,000 credit
 - Married filing separate return
- Three friends, all first-time buyers
 - \$8,000 total on the structure itself

More on Income Limits

TYPE	INCOME LIMIT	PHASE OUT START
Single Filers	\$95,000	\$75,000
Married Filers	\$170,000	\$150,000

TYPE	INCOME	EXCESS	DISALLOWED	CREDIT
Single Filers	\$78,000	\$3,000	15%	\$6,800
Married Filers	\$165,000	\$15,000	75%	\$2,000

The Home

- The home must be located in the United States.
- Vacation homes and rental properties are not eligible.
- For new construction, the “purchase date” is the date you occupy the home. So the move in date must be before December 1, 2009.

Recapture-3 Year Residency

- If the home is sold prior to three years of ownership, the tax credit must be repaid.
- This provision is designed to prevent flipping homes in order to get the credit.

Other Provisions

- The new credit is available to residents of the District of Columbia
- Purchasers who utilize state/local revenue bond financing can now use the credit.
- Purchasers who bought before January 1, 2009 are still subject to the terms of the repayable credit.

FAQs

- Cosigners who won't live in home
- Homes with 1-4 units

When Can You Claim the Credit?

- It can be claimed on your 2008 Tax Return (to be filed by April 15, 2009), an amended 2008 Tax Return, or your 2009 Tax Return.
- Form 5405

CAVEAT

Check with a tax advisor if there are any questions regarding using this provision.