

First-Time Homebuyer Tax Credit



One of the most exciting provisions of the American Recovery and Reinvestment Act of 2009 is the \$8,000 tax credit available for first-time home buyers. Combine this tax credit with the fact that home prices and interest rates are at historical lows, and it is indeed an ideal time for many first-time homebuyers to purchase a home!



Here are some things to keep in mind:

- A first time home buyer is defined as someone who has not owned a home in the last three years
- The credit amounts to 10% of the purchase price of the home not to exceed \$8,000
- The tax credit does not need to be paid back if you continue living in the home as your primary residence for three years without selling it
- The home must be purchased before December 1, 2009
- Single taxpayers with incomes up to \$75,000 and married couples with incomes up to \$150,000 qualify for the full tax credit
- You cannot purchase the home from a related party like a spouse, direct ancestor, or direct lineal descendent (child or grandchild); however, you can still qualify for the credit if you purchase a property from siblings, nephews, nieces, and others
- If you are married, both spouses must be first-time home buyers
- If more than one unmarried individual is buying the property, the credit can be split up among all the individuals who qualify. However, the total credit taken cannot exceed \$8,000

How does the tax credit work?

A tax credit is kind of like a gift certificate that you can use to pay your taxes - it reduces your income tax bill on a dollar for dollar basis. Imagine paying your bill at IRS Restaurant, and then later getting an IRS Restaurant gift certificate. Normally, you would need to go back to IRS Restaurant and buy more food in order to use your new gift certificate. But what if IRS Restaurant allowed you to just turn in your gift certificate for cash? That's how this tax credit works. One of the greatest benefits of the \$8,000 credit is that you can claim it on your 2008 tax returns, even if you buy a home in 2009. All you need to do is file an amended tax return with the IRS after you buy your new home and they will send you a refund check for \$8,000. Just like the example of IRS Restaurant that allows you to exchange your gift certificate for cash! Remember though, you'll receive the \$8,000 from the IRS AFTER you purchase the home, so you cannot use the funds to help with your down payment.

First-Time Homebuyer Tax Credit



On May 29, 2009, the Federal Housing Administration (FHA) started allowing buyers to borrow against the credit or sell it to their lender or another 3rd party in order to use the funds to help with the down payment. Unfortunately, this is only available in certain areas, contact me for more details on how this could work in your situation.

For more information about the first-time home buyer tax credit or other recent updates to the mortgage and real estate markets, just give me a call. I would be happy to assist you with your mortgage in the purchase of your new home!

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) was not intended or written to be used, and cannot be used, by any person for the purpose of (i) avoiding tax-related penalties or (ii) promoting, marketing or recommending to another person any transaction or matter addressed in this communication. I recommend that you consult with properly licensed legal, tax and investment advisors for specific advice pertaining to your individual situation.



Jana M. Lane, CMPS[®]

Own Real Estate Right... in affiliation with
O'Donnell Financial Group
1750 Montgomery Street
1st Floor
San Francisco, CA 94111

(415) 425-0857 direct
866-593-7794 fax
janalane@ownrealestateright.com
<http://www.OwnRealEstateRight.com>

