



Financial Advisors, LLC

First-Time Home Buyer Tax Credit

Anyone who has been waiting on the sidelines hesitant to jump into the housing market until conditions settle down should know these dates:

April 9, 2008 through June 30, 2009

- **The basic idea:** To jump-start housing sales and clear out stocks of unsold real estate, Congress is offering tax credits to encourage new purchasers. Buy any house--new, old, in any location or condition for any price-- within the designated time period and the IRS will cut as much as \$7,500 off your tax bill this year or next. The tax credit is equal to 10% of the qualified home purchase price, capped or limited at \$7,500.
- **Example:** If you are an eligible buyer of a home this year and you owe the IRS \$4,000 on your total 2008 income tax bill, your \$7,500 tax credit could wipe out everything you owe plus get you a \$3,500 refund. You can also buy a home in 2009 and still get the credit for the 2008 tax year by filing an amended return.
- **Eligibility Rules:** If you own a home now, you're not eligible. If you sold your home more than three years ago and now rent, you are eligible. If you've never owned a home, you are eligible.
- **Income Eligibility:** If your modified adjusted gross income exceeds \$150,000(\$75,000 for singles), the credit maximum begins to phase down (\$170,000 for married and \$95,000 for singles).
- **Payback:** Unlike some past tax credits, this one must be repaid over an extended period without interest. Starting in the second year after purchase and continuing for up to 15 years, taxpayers are expected to make pro-rata repayments to the government on their federal tax returns. The full \$7,500 credit would cost \$500 a year.
- **If you sell the house before the end of the repayment period:** If there is sufficient capital gain from the sale, the amount to be repaid will be paid from the proceeds. If there was insufficient profit, then the remaining credit payback will be forgiven.