

# First-Time Home Buyer's \$8,000 Tax Credit at a Glance

- The tax credit is for first-time home buyers only.
- The tax credit does not have to be repaid.
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.
- The credit is available for homes purchased on or after Jan. 1, 2009 and before Dec. 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.

## Here's a summary of the important points

### I read that the tax credit is "refundable." What does that mean?

The fact that the credit is refundable means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically this involves the government sending the taxpayer a check for a portion or even all of the amount of the refundable tax credit.

For example, if a qualified home buyer expected, notwithstanding the tax credit, federal income tax liability of \$5,000 and had tax withholding of \$4,000 for the year, then without the tax credit the taxpayer would owe the IRS \$1,000 on April 15th. Suppose now that the taxpayer qualified for the \$8,000 home buyer tax credit. As a result, the taxpayer would receive a check for \$7,000 (\$8,000 minus the \$1,000 owed).

### Is a tax credit the same as a tax deduction?

No. A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. That means that a taxpayer who owes \$8,000 in income taxes and who receives an \$8,000 tax credit would owe nothing to the IRS.

### Is there any way for a home buyer to access the money allocable to the credit sooner than waiting to file their 2009 tax return?

Yes. Prospective home buyers who believe they qualify for the tax credit are permitted to reduce their income tax withholding. Reducing tax withholding (up to the amount of the credit) will enable the buyer to accumulate cash by raising his/her take home pay. This money can then be applied to the downpayment.

### What types of homes will qualify for the tax credit?

Any home that will be used as a principal residence will qualify for the credit. This includes single-family detached homes, attached homes like townhouses and condominiums, manufactured homes (also known as mobile homes) and houseboats. The definition of principal residence is identical to the one used to determine whether you may qualify for the \$250,000 / \$500,000 capital gain tax exclusion for principal residences.

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