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## New \$8,000 Tax Credit for First-time Home Buyers

Great news for first-time home buyers in 2009! The stimulus plan that President Obama signed into law contains a new \$8,000 tax credit for qualified first-time home buyers. And, unlike the \$7,500 tax credit from last year, this credit does NOT have to be repaid to the government, as long as you stay in the home for at least 36 months after the purchase date.

Remember, a tax credit is much more valuable than a tax deduction. A tax credit reduces dollar for dollar the amount of tax you owe. A deduction merely reduces the amount of your income that is taxable. This means the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset.

### Who?

First-time buyers or anyone who hasn't owned a home in the 3 years prior to a purchase of a primary residence may qualify for a tax credit of up to 10% of the purchase price or \$8,000, whichever is less. To qualify for the full credit, the buyer's modified adjusted gross income must be less than \$75,000 for single taxpayers and \$150,000 for married taxpayers filing a joint return. Partial credit is proportionally reduced for incomes under \$95,000 (single) or \$170,000 (married). For married taxpayers, the homeownership history of both the home buyer and his/her spouse are taken into account. This means if you or your spouse has owned a principal residence in the last 3 years, neither you nor your spouse qualifies for the credit.

### What?

According to the IRS, a primary residence is the one you live in most of the time. It can be a house, houseboat, housetrailer, cooperative apartment, condominium, or other type of residence. If you constructed your main home, you are treated as having purchased it on the date you first occupied it.

### When?

The \$8,000 tax credit is available for qualifying home purchases made from Jan. 1, 2009, until Nov. 30, 2009. This is not a typo. To receive the credit you must purchase a qualified home before December 1st, 2009 – not the end of the year.

### How?

Unfortunately, you can NOT use the credit as a down payment. To receive the credit, you must purchase a qualified home first and then claim it on either your 2008 or 2009 taxes. If you make a qualified purchase after April 15, or after having already filed your 2008 taxes, you and your tax professional can submit an amendment to your return. To claim the credit, use [form 5405](#).

### Why?

The current combination of lower home prices and lower interest rates makes for an amazing opportunity to buy real estate. Add to that this \$8,000 gift from the government, and renting a home just doesn't make much sense.

If you or someone you know is ready to stop paying the landlord's mortgage and start building equity in your own home, give us a call. We'll run the numbers and see what makes sense for your individual financial needs.

Sincerely,

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