



First-time Homebuyer Tax Credit - \$8000.00

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House and Senate conferees raised the first-time homebuyer tax credit to \$8,000 (a \$500 increase) during last-minute negotiations on the pending economic stimulus bill. Also, the effective date of the credit was increased by three months to December 1. The final stimulus bill (H.R. 1) also raises the maximum GSE loan limit to \$729,720. At press time the House was voting on the \$800 billion package.

A Senate vote on final passage could come as early as Friday evening or during the weekend. As reported earlier, the conferees cut a \$15,000 homebuyer tax credit approved by Senate in half and limited the tax benefit to first-time homebuyers. The final version of H.R. 1 also restores the maximum \$729,750 loan limit for Fannie Mae, Freddie Mac and Federal Housing Administration loans for the rest of this calendar year. (The current limit is \$625,500.) Reinstating the higher loan limits will "help to reduce inventory and improve liquidity in the overall mortgage market," said Charles McMillan, president of the National Association of Realtors.

Although the \$8,000 first-time homebuyer tax credit is a disappointment to many in the industry, **the tax writers made it a real tax credit so homebuyers do not have to repay it like an interest-free loan.** Eliminating the repayment provision should bring more buyers into the market, Mr. McMillan said. The final stimulus bill also raises the loan limit on FHA-insured reverse mortgages to \$625,500 from \$417,000 for the rest of the calendar year.



FIRST-TIME HOMEBUYER TAX CREDIT
 As Modified in the American Recovery and Reinvestment Act
Major Modifications Italicized
 February 2009



FEATURE	CREDIT AS CREATED JULY 2008 APPLIES TO ALL QUALIFIED PURCHASES ON OR AFTER APRIL 9, 2008	REVISED CREDIT – EFFECTIVE FOR PURCHASES ON OR AFTER JANUARY 1, 2009 AND BEFORE DECEMBER 1, 2009
Amount of Credit	Lesser of 10 percent of cost of home or \$7500	<i>Maximum credit amount increased to \$8000</i>
Eligible Property	Any single family residence (including condos, co-ops, townhouses) that will be used as a principal residence.	No change All principal residences eligible.
Refundable	Yes. Reduces (or can eliminate) income tax liability for the year of purchase. Any unused amount of tax credit refunded to purchaser.	No change Purchasers will continue to receive refund for unused amount when tax return is filed.
Income Limit	Yes. Full amount of credit available for individuals with adjusted gross income of no more than \$75,000 (\$150,000 on a joint return). Phases out above those caps (\$95,000 and \$170,000).	No change Same income limits continue to apply.
First-time Homebuyer Only	Yes. Purchaser (and purchaser's spouse) may not have owned a principal residence in 3 years previous to purchase.	No change Still available for first-time purchasers only. Three-year rule continues to apply.
Revenue Bond Financing	No credit allowed if home financed with state/local bond funding.	<i>Purchasers who utilize revenue bond financing can use credit.</i>
Repayment	Yes. Portion (6.67% of credit or \$500) to be repaid each year for 15 years, starting with 2010 tax filing.	<i>No repayment for purchases on or after January 1, 2009 and before December 1, 2009</i>
Recapture	If home sold before 15-year repayment period ends, then outstanding balance of repayment amount recaptured on sale.	<i>If home is sold within three years of purchase, entire amount of credit is recaptured on sale. Applies only to homes purchased in 2009.</i>
Termination	July 1, 2009 (But note program changes for 2009)	<i>December 1, 2009</i>
Effective Date	Purchases on or after April 9, 2008 and before January 1, 2009. Repayment to begin for 2010 tax year.	<i>All revisions are effective as of January 1, 2009</i>

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