

Everything You Need To Know About the First Time Homebuyer Tax Credit



First Time Homebuyer Tax Credit FAQ's

1. How much can I claim for the tax credit?

Borrowers can claim up to \$8,000 or 10% of the home's value, whichever is less.

2. Who is eligible for this tax credit?

First time homebuyers or those who have not owned a primary residence in three years previous to the new purchase.

3. Does this tax credit need to be repaid?

No repayment is necessary as long as the new purchased home is not sold within three years. If the home is sold within the first three years, the entire amount of the tax credit is recaptured on the sale.

4. How long is this tax credit valid?

The tax credit is valid on all homes purchased on or after January 1, 2009 and before December 1, 2009.

5. What properties are eligible for the tax credit?

Any single family residence (including condos, co-ops and townhouses) that will be used as the primary residence.

6. Are there income limit restrictions?

Yes. To qualify, individuals must make less than \$75,000 and \$150,000 for couples. Higher income buyers may receive a partial credit. Individuals making over \$95,000 and \$170,000 for couples are ineligible.

7. How does this work with my tax refund?

This could work a number of ways. The following three scenarios will help explain.

Scenario 1:

Your final tax liability is normally \$6,000. You've had taxes withheld from every pay check and at the end of the year you've paid Uncle Sam \$6,000. Since you've already paid him all you owe, you get the entire \$8,000 tax credit as a refund check.

Scenario 2:

Your final tax liability is \$6,000, but you've overpaid by \$1,000 through your payroll withholding. Normally you would get a \$1,000 refund check. In this scenario, you get \$9,000, the \$8,000 credit plus the \$1,000 you overpaid.

Scenario 3:

Your final tax liability is \$6,000, but you've underpaid through your payroll withholding by \$1,000. Normally, you would have to write the IRS a \$1,000 check. This time, the first \$1,000 of the tax credit pays your bill, and you get the remaining \$7,000 as a refund. *CNNMoney.com*

8. How do I apply for the tax credit?

You claim the tax credit on your federal income tax return. Specifically, home buyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on Line 69 of their 1040 income tax return. No other applications or forms are required. Home buyers that have filed their 2008 taxes may file an amended 2008 tax return with a 1040X form. You should consult with a tax advisor to ensure you file this return properly.*

9. Is this a good time for a first time homebuyer to purchase a home?

Absolutely! Interest rates are at historic lows and home prices are in general lower. Also, there is a surplus of homes for sale, meaning you will have many options to choose from. One thing to note is you will need a down payment, but not to worry, there are low down payment programs available for first time homebuyers.

For more information on the \$8,000 first time homebuyer tax credit, contact your Loan Officer today!



*Consult a tax advisor for further information. Subject to change without notification. Information provided should not be considered as a commitment to lend. Offer subject to property and credit approval. Program and other restrictions may apply. Please contact your Loan Consultant for further details.
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