



Report Compliments of **Homes and Lifestyles of Colorado** - *Finding Your Place Called Home*

Denver Office: <http://www.DenverHomeLiving.com> - (303) 816-9199 Office

## **\$8,000 First Time Home Buyers Tax Credit**



*Who qualifies for the \$8,000 first time homebuyers tax credit and the details of how first-time homebuyers can qualify for this unprecedented opportunity are the subjects of this article.*

### **The Tax Credit for First-Time Home Buyers.**

In 2008, the Federal Government through the Housing and Economic Recovery Act of 2008 authorized a first-time homebuyer tax credit of \$7,500. In February of 2009, congress passed the 2009 stimulus package which increased the tax credit to \$8,000. Congress also changed a key provision so that a first-time homebuyer no longer needs to repay the tax credit so long as they don't sell their home within three years of purchasing it.

### **Who Qualifies as a First-Time Homebuyer?**

The bill describes a first-time homebuyer as someone who has not owned a primary residence for at least a 3 year period prior to the purchase of a home. In the case of a married couple, neither one of them can have owned a primary residence for three years to qualify as first-time homebuyers. However, ownership of a vacation home, rental home, or any home not used as a

primary residence will not disqualify you. Be sure to consult your tax advisor to determine if you qualify.

### **Determining the value of the tax credit.**

The credit is calculated by taking 10 percent of the value of the home up to a maximum of \$8,000. Thus, any home with a value greater than \$80,000 would still only provide a tax credit of \$8,000. Also, single buyers can not make more than \$75,000 per year to claim the full tax credit. Similarly, married couples can only claim the maximum \$8,000 if they earn less than \$150,000 per year. See this other article for more information on Financial Assistance for First Time Homebuyers

### **Uniqueness of this tax credit.**



Two things make this tax credit a unique and unprecedented opportunity. First, in the original bill passed in 2008, home owners were required to pay this tax credit back over a 15 year time frame. The 2009 stimulus package changed all that by dropping the requirement as long as you don't sell your home within three years of purchase. Second, this tax credit is what is known as a "refundable tax credit". A normal tax credit can only be applied to the amount of tax owed. Thus, if you owed \$10,000 in taxes, the tax credit would reduce your tax liability to \$2,000. However, with a refundable tax credit, if you only owed \$5,000 in taxes, you would receive a refund of \$3,000. Finally, in the case of someone who had no tax liability to offset, they would actually receive a check for \$8,000 from the IRS.

### **Homes that qualify for the tax credit.**

Basically any home purchased as a primary residence will qualify as long as the buyer meets the requirements discussed above. This means that even mobile homes and house boats will qualify as long as they are being used as a principal residence

### **Special Tax Option Available**

Taxpayers who qualify for the first-time home-buyer credit and purchase a home in 2009 before December 1, have a special option available for claiming the tax credit either on their 2008 tax returns due April 15 or on their 2009 tax returns next year. So, as usual consult your accountant as to which option is best for you.

## **More Details**

The best source for the more details are the NAHB, the IRS.gov and Obama Stimulus FAQ.

*This article contains general information. Individual financial situations are unique; please, consult your financial advisor or tax attorney before utilizing any of the information contained in this article.*

Report Compliments of **Homes and Lifestyles of Colorado** - *Finding Your Place Called Home*  
**Denver Office:** <http://www.DenverHomeLiving.com> - (303) 816-9199 Office