

## Tax Credit Helps First-Time Home Buyers

by Cassie Holman

To help jump-start the housing market, the [American Recovery and Reinvestment Act of 2009](#) extends a tax credit to first-time home buyers worth 10% of the home's purchase price, up to \$8,000. The credit makes it easier for many home buyers to enter the housing market in 2009.

The [National Association of Home Builders](#), Washington, D.C., estimates that the home buyer tax credit will generate about 101,000 first-time home purchases. The NAHB anticipates another 59,000 *existing* homeowners will be able to buy a new house because a first-time buyer bought theirs.

Discovering their eligibility for the tax credit helped secure the decision for first-time buyers Ryan Condon, 23, and girlfriend Katie Bohren, 27, to move from their apartment and settle in a new home. They closed on their two-story place in the town of Harrison, Wis., on June 26.

"Our real estate agent told us about the credit," says Condon. "It definitely piqued our interest in buying."

Here are some frequently asked questions and answers about the tax credit:

- [Who qualifies as a first-time home buyer?](#)
  - [Is there an income limit for the tax credit?](#)
  - [Do I qualify for the tax credit if I'm \*building\* a house?](#)
  - [I bought my house early in 2009 and filed my 2008 tax return claiming the \\$7,500 first-time home buyer credit that has to be repaid. Now the law provides for an \\$8,000 credit that does \*not\* have to be repaid. How do I get the \\$8,000 credit that doesn't have to be paid back?](#)
  - [When do I have to buy a new house to get the credit?](#)
  - [If I buy a house in 2009, and have already filed my 2008 tax return, can I amend my 2008 return or will I have to claim it on my 2009 return?](#)
  - [When must I pay back the credit for the home I purchased in 2009?](#)
- **Who qualifies as a first-time home buyer?**

You're eligible if you have not owned another principal residence at any time during the three years before the date of purchase. If you—and your spouse, if you're married—owned a principal residence at any time during the three years before the purchase date, you are not eligible for the credit.

For an eligible purchase in 2009, you can choose to claim the credit on either your 2008 *or* 2009 income tax return. If you made an eligible purchase in 2008, claim the first-time home buyer credit on your 2008 tax return.

### **Is there an income limit for the tax credit?**

To qualify for the full credit, your modified adjusted gross income must not be more than \$75,000 for single taxpayers and \$150,000 for joint filers. The credit amount phases out at higher incomes, and stops at \$95,000 (single) and \$170,000 (joint).

### **Do I qualify for the tax credit if I am *building* a house?**

Yes, as long as you move in before Dec. 1, 2009. For a house you build, the "purchase date" is the date you first occupy the house.

For a house you buy from a builder, the purchase date is when the property title transfers to you.

**• I bought my house early in 2009 and filed my 2008 tax return claiming the \$7,500 first-time home buyer credit that has to be repaid. Now the law provides for an \$8,000 credit that does *not* have to be repaid. How do I get the \$8,000 credit that doesn't have to be paid back?**

You can file an amended 2008 return.

**• When do I have to buy a new house to get the credit?**

You must buy the house after April 8, 2008, and before Dec. 1, 2009, to qualify. Any home you buy as your principal residence in the U.S. is eligible.

**• If I buy a house in 2009, and have already filed my 2008 tax return, can I amend my 2008 return or will I have to claim it on my 2009 return?**

You can either file an amended return to claim it on your 2008 return or claim it on your 2009 return.

**• When must I pay back the credit for the home I bought in 2009?**

Maybe never. You have to repay the credit on a house you buy in 2009 only if it no longer is your principal residence within 36 months from the date of purchase. The full amount of the credit you received becomes due on your tax return for the year the home stopped being your principal residence.

You can visit the IRS [Web site](#) for more answers to tax credit and filing questions.

If you're planning to buy a house, the people at your credit union can help. You can seek advice from the professionals at your credit union about loan options, get help with credit checks, and learn about budgeting for your new purchase.

## Resources

- [National Association of Home Builders](#)—Information about the first-time home buyer tax credit.
- [Internal Revenue Service](#)—Type "first-time home buyer tax credit" in the search box.
- [U.S. Department of Housing and Urban Development](#)

## Related *Home & Family Finance Resource Center* Items

- [House Shopping: Devise a Down-Payment Plan](#)
- [Buying Foreclosed Houses Not a Slam-Dunk Deal](#)
- [Video: Buying a Home](#)
- [Calculator: What Will My Monthly Mortgage Payment Be?](#)



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