

Quick Reference Guide to Home Buyer Tax Credits

As part of the stimulus package of 2009, the homebuyer tax credit has been extended and changed. The changes include:

- Increase of the tax credit to \$8,000 from \$7,500
- No recapture after 3 years
- Inclusion of homes purchased with Mortgage Revenue Bonds (MRB) funds

The homebuyer tax credit was part of the Housing and Economic Recovery Act of 2008. It was created to encourage homebuyers to purchase homes despite a shaky economy and housing market. While most tax credits do not have a repayment feature, the 2008 tax credit had a no-interest, 15-year repayment feature.

A tax credit is different from a tax deduction. A tax deduction reduces a filer’s adjusted gross income. A tax credit is deducted from the amount of federal taxes owed by a taxpayer.

The chart below compares the elements of the tax credit of 2008 with the changes for 2009. The changes to the tax credit are not retroactive for those who purchased a home and qualified for the credit in 2008.

Home Buyer Tax Credits

Features	2009 Version	2008 Version
Home Buyer Eligibility	First-time homebuyers (no ownership interest in the last 3 years)	First-time homebuyers (no ownership interest in the last 3 years)
Eligible Property	Any property in the US, new or resale, that will be the homebuyer’s principal residence (includes mobile homes and houseboats)	Any property in the US, new or resale, that will be the homebuyer’s principal residence (includes mobile homes and houseboats)
Sales Amount Restrictions	No restrictions	No restrictions
Maximum Credit Calculation	10% of the purchase price, up to \$8,000	10% of the purchase price, up to \$7,500

Features	2009 Version	2008 Version
Recapture	No repayment as long as home is not sold within 36 months of the closing date	Repaid at zero interest for 15 years; 6.67% of original amount is repaid each year
Income Eligibility	\$75,000 (Single Filers) \$150,000 (Married Filers) Partial credit available if over income limits	\$75,000 (Single Filers) \$150,000 (Married Filers) Partial credit available if over income limits
Effective Timeframe	Closing must occur between December 31, 2008 and December 1, 2009	Closing must occur between April 9, 2008 and July 1, 2009
Restrictions	<ul style="list-style-type: none"> • Cannot be claimed by non-resident aliens • Cannot be claimed if property sold during same tax year • Cannot be claimed if tax filer claims the first-time homebuyer credit for District of Columbia • <i>CAN BE CLAIMED IF LOAN FINANCED WITH MORTGAGE REVENUE BONDS (used by many housing finance agencies)</i> 	<ul style="list-style-type: none"> • Cannot be claimed by non-resident aliens • Cannot be claimed if property sold during same tax year • Cannot be claimed if tax filer claims the first-time homebuyer credit for District of Columbia • Cannot be claimed if loan financed with Mortgage Revenue Bonds (used by many housing finance agencies)
Refundable?	Yes, the taxpayer receives the full credit even if they have not paid in taxes an amount as great as the credit amount.	Yes, the taxpayer receives the full credit even if they have not paid in taxes an amount as great as the credit amount