

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

On February 17, 2009, President Obama signed "The American Recovery and Reinvestment Act of 2009" which provides an enhanced First-Time Home Buyer Tax Credit. The new tax credit is a significant improvement over the credit provided in the Housing and Economic Act of 2008 (H.R. 3221).

Selected Frequently Asked Questions

1. What is the First time Home Buyer Tax Credit?

A federal refundable income tax credit.

2. How much is the tax credit?

Up to \$8,000.00 based on 10% of the homes purchase price and the purchaser's modified adjusted gross income (MAGI).

3. What is the definition of a First Time Home Buyer?

Generally, a buyer who has not owned a principal residence during the three year period prior to the purchase of a home.

If you are married, neither you nor your spouse may have owned a principal residence during the prior three years to qualify as first-time buyers.

4. What type of homes qualify for the tax credit?

Any home purchased by an eligible first-time home buyer will qualify for the credit, provided that the home will be used as a principal residence and the buyer has not owned a home in the previous three years. The home can be a manufactured home or a modular home and be real or personal property as long as it is the principal residence and not a second home or investment property.

5. Are there time limits to be eligible for the tax credit?

Yes-you must purchase a home on or after January 1, 2009 and before December 1, 2009.

6. Are there income limits to determine who is eligible to take the tax credit?

Yes. Home buyers who file their taxes as single taxpayers can claim the credit if their modified adjusted gross income (MAGI) is less than \$75,000. For married taxpayers filing a joint tax return, the MAGI limit is \$150,000.

For those over the \$75,000 and \$150,000 MAGI limits, the tax credit phases out to zero at \$95,000 and \$170,000.

7. What is a "Refundable Tax Credit"?

Refundable means the tax credit may be claimed by an eligible taxpayer even if you have little or no federal income tax due.

Suppose you are a first-time home buyer eligible for the full \$8,000 credit.

You have completed your federal income tax return and without the tax credit you owe \$7,000. \$5,000 has already been paid by income tax withholding from your pay checks. You must send the IRS (Department of Treasury) \$2,000.

With the tax credit you send the IRS zero and they send you \$6,000 (\$8,000 tax credit minus the \$2,000 you owe in income tax).

8. Does the tax credit have to be paid back to the government?

There will be no repayment for purchases on or after January 1, 2009 and before December 1, 2009, if the home is not sold for three years.

9. I heard there is a "recapture" feature in the provision. What does that mean?

If the home is sold within three years of purchase, the entire amount of the credit will be recaptured upon sale for homes purchased during 2009. Some exceptions may apply.

10. Is the credit available for homebuyers who receive government sponsored downpayment assistance?

Yes!

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