



HOMEBUYERS TAX CREDIT

**BUY A HOME AND YOU GET A
TAX BREAK!**

As part of the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009, a First-time Homebuyer Tax Credit is now available. But this special **TAX BREAK ENDS IN 2009.**

A homebuyer tax credit has been available for first-time homebuyers in Washington, D.C. for many years, and now first-time homebuyers nationwide can take advantage of a similar benefit. In this brochure we'll discuss some of the provisions of the credit, changes based on the new legislation, and explain how to use it.

BUYING A FIRST HOME IS A BIG STEP!

Buying a first home is a big step. Fortunately, trained professionals like your **REALTOR® ARE WILLING AND ABLE TO HELP YOU THROUGH THE PROCESS.** In addition to the many benefits of homeownership, the homebuyer tax credit and more affordable prices make now an especially opportune time to purchase. Still, the commitment is a substantial one, and the NATIONAL ASSOCIATION OF REALTORS® encourages you to ask questions and be informed about the decision you are making so that the home you buy is a home you can enjoy for years to come.

OTHER RESOURCES FOR FIRST-TIME HOMEBUYERS:

IRS guidance at <http://www.irs.gov/newsroom/article/0,,id=187935,00.html>

http://www.realtor.org/home_buyers_and_sellers

<http://finance.realtor.com/homefinance/guides/buyers/>

<http://www.hud.gov/buying/>

http://www.freddiemac.com/corporate/buying_and_owning.html

<http://www.ncsha.org/section.cfm/3/34/2920>

REALTORS® who have the Accredited Buyer's Representative (ABR®) designation have completed highly specialized training in representing buyers. To find an ABR® in your area and to receive a FREE Homebuyers Toolkit, visit www.REBAC.net.

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SAVE NOW WITH THE HOMEBUYERS TAX CREDIT



A QUICK REFERENCE GUIDE TO THE ECONOMIC RECOVERY ACT OF 2009



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www.NAAR.org



AM I ELIGIBLE?

First-time homebuyers who purchase a principal residence on April 9, 2008 and before December 1, 2009 are eligible. If you (and your spouse, if married) have not owned your principal residence for a 3-year period before your purchase, and you have never taken advantage of the DC first-time homebuyer credit, you qualify as a first-time homebuyer.

HOW DOES IT WORK?

Like all tax credits, it will **DIRECTLY REDUCE THE TOTAL AMOUNT OF TAXES YOU OWE.** When you file your taxes, for the year you purchased your home (2008 or 2009), you will be able to subtract the amount of the credit from your Federal income tax liability, increasing the size of your refund or reducing the amount you owe. For example, you file your 'normal' tax return and find that you owe \$2,000 in taxes. With this credit, your tax liability could be lowered by \$8,000—which means, you instead get a \$6,000 tax REFUND check from IRS.

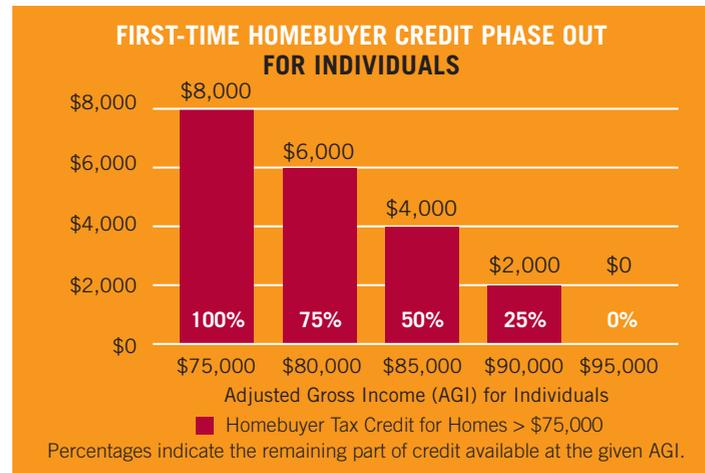
NOW AVAILABLE AT CLOSING!

When the credit was first passed, money was not available until a buyer filed tax forms after the home purchase. Several states including: Colorado, Delaware, Idaho, Kentucky, Missouri, Nebraska, New Jersey, New Mexico, Ohio, Pennsylvania, Tennessee, and Virginia creatively found ways to make cash available to buyers at closing. The Federal government followed suit. On May 29, 2009, the Department of Housing and Urban Development announced guidelines for FHA lenders that enable them to make the credit available to buyers at closing for costs or a down payment above the 3.5 percent required for an FHA insured loan. This means the credit can be available at closing regardless of where you're purchasing. States continue to maintain their credit monetization programs, so check with your state housing finance agency as well as your lender for details.

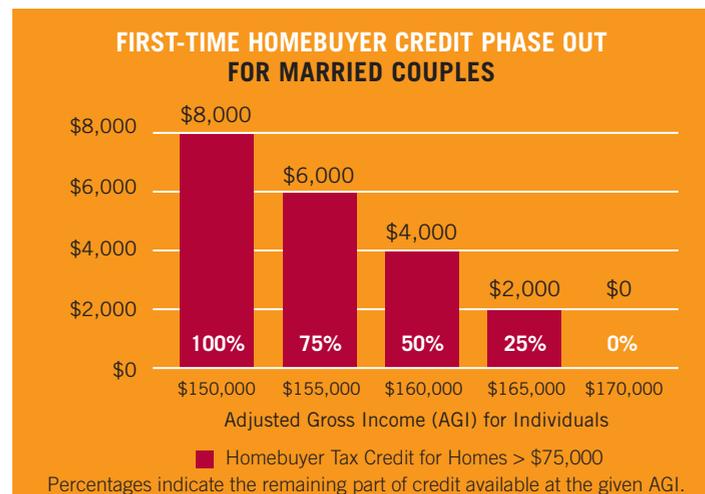
HOW BIG IS THE TAX CREDIT?

THE TAX CREDIT IS EQUAL TO 10% OF THE PURCHASE PRICE OF YOUR HOME UP TO \$8,000.

The credit passed in 2008 was limited to \$7,500 and that limit still applies to homes purchased in 2008. The full credit is available for single individuals whose adjusted gross income is less than \$75,000. If your adjusted gross income is greater than \$75,000 and your home purchase qualifies you for the full credit, the credit phases out according to the dollar amount (or percentage if less than \$8,000) in the chart below.



For married couples filing jointly, the credit begins to phase out at an adjusted gross income of \$150,000. The dollar amounts in the chart below correspond to a phase out of the full tax credit (percentages are for credits less than \$8,000).



WHAT ABOUT REPAYMENT?

The American Recovery and Reinvestment Act of 2009 made a big change to the credit by removing the repayment provision for credits on homes purchased in 2009. Previously, the tax credit had a payback provision that made it similar to an interest free loan that would have been paid back in full over 15 years (repayment) or at the time of resale (recapture) unless the home was sold at a loss. While the repayment provision is completely gone from the updated credit, a more mild recapture provision remains. If you sell your home within 3 years of purchase, the entire amount of the credit is recaptured, that is, the government takes it back.

ARE THERE OTHER CONDITIONS I SHOULD KNOW ABOUT?

- You cannot claim both the DC and the national First-time Homebuyer tax credit.
- Purchases by non-resident aliens are not eligible.
- 2009 purchases financed by proceeds from a qualified mortgage issue are now eligible.
- Any single family residence located in the United States that will be used as a principal residence is eligible. Generally, this is the place where an individual spends most of his/her time. This includes single-family detached housing, condos or coops, townhouses or any similar type of new or existing dwelling.
- The credit will not result in an individual owing additional federal taxes under the Alternative Minimum Tax.
- Home purchases between relatives and other gifts of residences are not eligible for the credit.
- Other tax benefits of homeownership are still in place. The mortgage interest deduction, capital gains tax exclusion, and property tax deduction are some well-known examples.

For more specific questions about the tax implications of the credit, please consult a tax professional.