

FAQ: First-time homebuyer tax credit

What is the first-time homebuyer tax credit?

A federal income tax credit of 10 percent of the purchase price of the home, up to \$8,000.

Who is eligible to claim the credit?

Qualified first-time homebuyers, or homebuyers who have not owned a residence during the three year period prior to the purchase of home.

What homes qualify?

Any home purchased which is used as a principal residence—no second or vacation homes. Manufactured and modular homes qualify, and may be on your land or leased land (in a manufactured housing community).

Are there income limits?

Yes, modified adjusted gross income of up to \$75,000 for a single or head of household buyer, or \$150,000 for joint tax-filers.

What costs paid by buyers count toward calculating the “purchase price?”

The purchase price, if you are building a new home, would include not just the home itself but also the lot, development costs and any closing costs.

If my income is above the limit, do I still qualify for credit?

Possibly. A partial credit is available for some subject to phase-out limits. Complete IRS Form 5405 to determine the size of your credit.

For which tax year is the credit available?

2009.

Is the tax credit retroactive?

Yes, it is effective for purchases on or after January 1, 2009, until December 1, 2009.

When is deadline to get the credit?

The home must be occupied (by the homeowner) by December 1, 2009.

I heard the credit is refundable. What does that mean?

It means that it can be claimed even if the taxpayer has little or no federal income to offset. If that is the case, the IRS will issue a check to the homebuyer for the difference between the tax due and the amount of the tax credit.