What you should know about the

First-Time Homebuyer Tax Credit

The American Recovery and Reinvestment Act of 2009 features an $8,000 tax credit for first-time buyers who purchase a home on or after Jan. 1, 2009 and before Dec. 1, 2009.

Details of the tax credit include:

- The temporary credit is only available for home purchases made from Jan. 1, 2009 to before Dec. 1, 2009 and is equal to 10 percent of the cost of the home, up to a maximum credit of $8,000. *(For example, a home purchased for $80,000 or more would qualify for the full $8,000 credit while a $70,000 home would only qualify for 10 percent, or $7,000)*

- Buyers claim the credit on their federal tax return to reduce their tax liability. If the credit is more than their total tax liability that year, the buyer will get a refund check for the balance.

- Only first-time homebuyers can take advantage of the tax credit. A first-time buyer is defined under the tax credit as an individual who has not owned a home in the last three years. For married joint filers, both must meet the first-time homebuyer test to take the credit on a joint return.

- Eligible properties include anything that will be used as a principal single-family residence—including condos and townhouses.

- There are income guidelines on the credit. Individuals with an adjusted gross income up to $75,000 (or $150,000 if filing jointly) are eligible for the full tax credit. The credit is phased down for those earning more and is not available for those with an income above $95,000 (or $170,000 if filing jointly).

- The new tax credit does not have to be repaid if the buyer stays in the home at least three years. But if the home is sold before that, the entire amount of the credit is recaptured on the sale.

- People who purchased homes under the 2008 $7,500 tax credit program will still be required to repay that credit to the government over a 15-year period.

Consult with your REALTOR® or tax advisor and visit www.YourIllinoisHome.com to learn more about the tax credit and state and federal loan programs.

ILLINOIS
ASSOCIATION OF
REALTORS

1020