

# Facts on the **First-Time Homebuyer Credit**\*

The time is right to close on your dream home. And now with the recent signing of a major housing stimulus bill, it's an even better time to buy. On July 30, 2008, the Housing and Economic Recovery Act of 2008 (H.R. 3221) was passed, which includes a new, temporary tax credit as an incentive for first-time homebuyers. With this bill, first-time homebuyers may qualify for up to \$7,500 in a tax credit for the purchase of a principal residence.

## What is the First-Time Homebuyer Tax Credit?

It is a temporary first-time homebuyer tax credit, which functions like an interest-free loan. A tax credit is a dollar-for-dollar reduction in what the taxpayer owes in income taxes. To qualify for the tax credit, a home purchase must occur on or after April 9, 2008 and before July 1, 2009 and the taxpayer must meet the annual income requirements. For the purposes of tax credit, the purchase date is the date when closing occurs.

## How much is the new homebuyer tax credit?

The tax credit is equal to 10% of the qualified home purchase price, but the credit amount is capped or limited at \$7,500. For many first-time homebuyers, this means the credit will equal \$7,500.

## Who is eligible for the tax credit?

A "first-time homebuyer" is defined as a buyer who has not owned a principal residence during the three-year period prior to the purchase. First-time homebuyers purchasing any kind of home—new or resale—may be eligible for the tax credit.

For more information on the details of the bill visit: <http://www.federalhousingtaxcredit.com>.

## Does the tax credit need to be repaid?

Yes, homebuyers will be required to repay the credit to the government, without interest, over 15 years or when they sell the house, if there is sufficient capital gain from the sale. For example, a homebuyer claiming a \$7,500 credit would repay the credit at \$500 per year. The home owner does not have to begin making repayments on the credit until two years after the credit is claimed. If the home was sold, the remaining credit amount would be due from the profit on the home sale. If there was insufficient profit, then the remaining credit payback would be forgiven.

This tax credit is designed to help make home buying possible for first-time buyers. CENTURY 21® Sales Professionals can help you understand how to take advantage of this temporary incentive. Get started on the path to your first home and contact a CENTURY 21 Sales Professional by visiting a local CENTURY 21 Office in your area, [century21.com](http://century21.com) or calling **800.C21.GOLD**.

***Before you decide to use the first-time homebuyer tax credit, please consult with a tax professional.***



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\*Source: H.R. 3221, Housing and Economic Recovery Act of 2008. Remember to consult a tax professional for details. Credit expires June 30, 2009.