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Final score: \$8,000 for homebuyers

First-time purchasers get a tax credit windfall if they buy before December.

By Les Christie, CNNMoney.com staff writer
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NEW YORK (CNNMoney.com) -- There's a nice windfall for some homebuyers in the economic stimulus bill awaiting President Obama's signature on Tuesday. First-time buyers can claim a credit worth \$8,000 - or 10% of the home's value, whichever is less - on their 2008 or 2009 taxes.

A big plus is that the credit is refundable, meaning tax filers see a refund of the full \$8,000 even if their total tax bill - the amount of withholding they paid during the year plus anything extra they had to pony up when they filed their returns - was less than that amount. But there has been a lot of confusion over this provision. Adam Billings of Knoxville, Tenn. wrote to CNNMoney.com asking:

"I will qualify as a first-time home buyer, and I am currently set to get a small tax refund for 2008. Does that mean if I purchased now that I would get an extra \$8,000 added on top of my current refund?"

Not exactly. Billings won't get \$8,000 on top of his current refund, but he would turn that small refund into a much larger one. If his total tax liability came to \$6,000, but he had \$7,000 withheld from his payroll, he would normally receive a \$1,000 refund. With this credit, his refund would total \$8,000. If the credit were non-refundable, as was originally proposed in the Senate version of the stimulus package, he would have only received \$6,000, or the total amount he paid in.

To qualify for the credit, the purchase must be made between Jan. 1, 2009 and Nov. 30, 2009. Buyers may not have owned a home for the past three years to qualify as "first time" buyer. They must also live in the house for at least three years, or they will be obligated to pay back the credit.

Additionally, there are income restrictions: To qualify, buyers must make less than \$75,000 for singles or \$150,000 for couples. (Higher-income buyers may receive a partial credit.)

Applying for the credit will be easy - or at least as easy as doing your income taxes. Just claim it on your return. No other forms or papers have to be filed. Taxpayers who have already completed their returns can file amended returns for 2008 to claim the credit.

