

First-Time Homebuyer Credit

First-time homebuyers should begin planning now to take advantage of a new tax credit. Available for a limited time, the credit:

- Applies to home purchases after April 8, 2008, and before July 1, 2009.
- Reduces a taxpayer's tax bill or increases his or her refund, dollar for dollar.
- Is fully refundable, meaning that the credit will be paid out to eligible taxpayers, even if they owe no tax or the credit is more than the tax that they owe.

The credit operates much like an interest-free loan because it must be repaid in equal installments over a 15-year period. Taxpayers will claim the credit on new IRS Form 5405, First-Time Homebuyer Credit.

Only the purchase of a main home located in the United States qualifies. Vacation homes and rental property are not eligible. For a home that you construct, the purchase date is the first date you occupy the home.

Taxpayers who owned a main home at any time during the three years prior to the date of purchase are not eligible for the credit. This means that first-time homebuyers and those who have not owned a home in the three years prior to a purchase can qualify for the credit.

If you make an eligible purchase in 2008, you claim the first-time homebuyer credit on your 2008 tax return. If you make an eligible purchase in 2009, you can choose to claim the credit on either your original or amended 2008 return, or on your 2009 return.

The credit is 10 percent of the purchase price of the home, with a maximum available credit of \$7,500 for either a single taxpayer or a married couple filing jointly. The limit is \$3,750 for a married person filing a separate return. In most cases, the maximum credit will be available for homes costing \$75,000 or more. The credit normally must be repaid over a 15-year period starting the second year after the year the credit is claimed.

The credit is reduced or eliminated for higher-income taxpayers. The credit is phased out based on your modified adjusted gross income. In general, for a married couple filing a joint return the phase-out begins at \$150,000 and is completely phased out at \$170,000. For other taxpayers, the phase-out range is between \$75,000 and \$95,000.

Not everyone will qualify for the credit. There are other rules that may impact your eligibility and decision to claim the First-Time Homebuyer Credit. Get all the information at IRS.gov.

Links:

- [1040 Central](#)
- [First-Time Homebuyer Credit Information Center](#)