

# First-time Homebuyer Tax Credit

## Now you can have your tax credit and a VHDA loan too.

Recent economic recovery legislation created a new tax credit as an incentive for first-time homebuyers to purchase homes. Now there are two tax credits, each one with different eligibility requirements and benefits. The eligible tax credits are determined by the date of loan closing for the purchased home. The chart below provides key elements of both the 2008 and 2009 tax credit.

*As with any tax law change, please check with your tax advisor if you have questions.*

	(OLD) 2008 Rules	(NEW) 2009 Rules
<b>Time Limit</b>	Applies to homes purchased (and closed on) from <u>April 9, 2008</u> to <u>December 31, 2008</u> .	Applies to homes purchased (and closed on) from <u>January 1, 2009</u> to <u>November 30, 2009</u> . Can claim the credit on either 2008 or 2009 tax returns.
<b>Amount of Credit</b>	Lesser of 10% of purchase price or \$7,500.	Lesser of 10% of purchase price or \$8,000, or \$4,000 for married individuals filing separately.
<b>Refundable</b>	<b>Yes.</b> Reduces (or can eliminate) income tax liability for the year of purchase. Any unused amount of tax credit is refunded to borrower.	<b>Yes.</b> Reduces (or can eliminate) income tax liability for the year claimed. Any unused amount of tax credit is refunded to borrower.
<b>Income Limit</b>	Individuals with adjusted gross income of no more than \$75,000 (or \$150,000 if filing a joint return) qualify for the full amount.	Same.
<b>First-time Homebuyers Only</b>	Borrower (and spouse) may not have owned a principle residence during three previous years.	Same.
<b>Can the credit be used with VHDA loans?</b>	<b>No.</b> VHDA loans are funded with Mortgage Revenue Bonds (MRB) and the credit may not be claimed when the property is financed with MRBs.	<b>Yes.</b> The credit can be claimed when the property is financed with VHDA loans funded with Mortgage Revenue Bonds (MRB).
<b>Repayment</b>	<b>Yes.</b> The full amount of the tax credit must be repaid. Beginning in 2009, the federal government will withhold 6.67 percent of the credit amount, up to \$502.50 from the borrower's federal tax refund. Payments will continue for 15 years, or until the tax credit has been repaid in full. If the home is sold before 15 years, any amount of tax credit that has not been repaid will be due to the IRS in the year of sale.	<b>No.</b> There is no repayment of the credit required, provided the home remains the borrower's residence for 36 months after date of purchase. If the home is sold within three years of purchase, the entire amount of the credit must be repaid to the IRS.

