

## **\$8000 HOME BUYER TAX CREDIT EXPLAINED -2009 HOUSING STIMULUS BILL, ECONOMIC PLAN**



### **2009 Housing Stimulus bill: \$8000 Home buyer tax credit for first time home buyers**

The \$789 billion economic stimulus package proposed by Obama government, contains a key housing stimulus bill designed to help first time homebuyers in order to revive the US housing market. This 2009 Economic stimulus plan has finally been signed by the President and is now a law. If you are a first time homebuyer planning to purchase a home in 2009, this housing stimulus can help you provide a refundable tax credit of 8000 USD. **Read this entire post to understand the details of this housing tax credit and to find out if you qualify to receive this housing stimulus.**



### **How does \$8000 home buyer tax credit work?**

In order to understand the details of the housing stimulus bill or \$8000 home buyer tax credit (also called as \$8000 housing tax credit) as a first time home buyer you need to understand the following **six important points.**

- 1. What does first time home buyer exactly mean?** -The law defines "First time home buyer" as a home buyer who has not purchased a principal residence for the last three years. For married tax payers, both the home buyer and his/her spouse must fit this criterion. Even non resident aliens who are not US citizens may qualify for this tax credit.
- 2. Dates of home purchase** - In order to qualify for the home buyer tax credit, the first time home buyer must purchase the house between January 1 2009 and December 1 2009, both dates inclusive.
- 3. How much tax credit will homebuyers get?** - Although this tax credit is referred to as \$8000 housing tax credit, remember that the total amount of tax credit a home buyer gets is equal to 10% of the purchase price of the new house upto maximum of \$8000. Thus in order to get a full tax credit of \$8000 your purchased property must be above \$80,000 in value.

4. **Income Limits for \$8000 home buyer tax credit:** First time home buyers with modified gross annual income of \$75,000 get full benefit of this housing tax credit. The tax credit is gradually reduced for those with income between \$75,000 to \$95,000 and finally a home buyer gets no tax credit if his/her modified gross annual income is more than \$95,000. For married taxpayers, the home buyer tax credit is gradually reduced to zero for modified gross annual income between \$150,000 to \$170,000.


5. **This is a Refundable Tax Credit** - Remember that this is a tax credit and not a tax deduction. That is qualified first time home buyers deduct \$8000 from their total tax owed to the IRS and NOT the total taxable income. Moreover a refundable tax credit means that in case the total taxes you owe to the IRS are less than \$8000, you can actually get a refund for the balance amount!

6. **This \$8000 home buyer tax credit, unlike \$7500 tax credit does not need to be repaid to the IRS** - the earlier \$7500 housing tax credit was essentially an interest free loan which the home buyers needed to repay in 15 years. However, although this \$8000 home buyer tax credit may look only \$500 more than the previous housing tax credit, it is all yours ! no need to repay it to the Federal government.

Here are one **Income Tax tip for first time home-buyers:** If you know you qualify for the \$8000 home buyer credit there is no need to wait to file your 2009 tax return in order to get benefit of this housing stimulus. First time home buyers are actually permitted to reduce their income tax withholding by the amount equal to housing credit, i.e. \$8000. You can then use this 'extra cash' got by increase in your take home pay for downpayment !

Even more questions? I encourage you to ask in a comment and I'll try to answer it in a day or two with references. Or visit [this list of FAQ](#). If your tax situation is too complicated with individual details you could also try some tax preparing softwares or tax preparing packages (like turbotax, H&R Block etc.) which I have heard walk you step by step to check if you qualify for the housing stimulus. They also have a free version and a tax deduction maximizing version.

## How to Qualify for \$8000 First-Time Home Buyer Tax Credit from IRS

By dearlonda, eHow Member 



Do you qualify for the \$8000 First-Time Home Buyer Tax Credit from the IRS?

Rate: ★★★★★ (5 Ratings)

When you file your 2008 tax return with the IRS, you may qualify for the new \$8000 Home Buyer Tax Credit approved by President Barack Obama in the American Recovery and Reinvestment Act of 2009. If you've already filed, you may still be eligible for the entire \$8000 Tax Credit, as long as you fit the new home buyer requirements.

### Instructions

**Difficulty:** Moderate

#### Step1

Have you ever owned a house? If not, you may qualify for the \$8000 Home Buyer Tax Credit. All you have to do is buy a house before the end of 2009 and Voila! You may get an additional \$8000 on your IRS tax return.

#### Step2

If you haven't owned a house in the last 3 years, you probably still qualify for the \$8000 Home Buyer Tax Credit, granted you purchase a home before December 1, 2009. (If you purchased your home in 2008, you may qualify for up to \$7500).

#### Step3

The house you purchase to qualify for the \$8000 Home Buyer tax credit must be your primary place of residence. It can be a single-family, detached home, townhouse, condo, or even houseboat-as long as it's your primary place of residence. You will receive 10% of the purchase price, not to exceed \$8000.

#### Step4

To qualify for the \$8000 First-Time Home Buyer Tax Credit, your house purchase must be complete before December 1, 2009. Your purchase is considered complete once you make the down payment and close on the house. If you have your home built, the

purchase is complete when you move in. (Purchases from a close relative do not qualify for the tax credit).

#### Step5

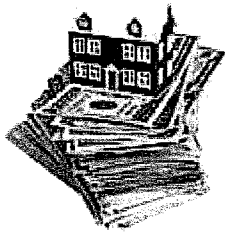
Single home buyers qualify for the \$8000 Home Buyer Tax Credit if their income does not exceed \$75,000. Married couples cannot earn more than \$150,000 yearly (see [www.irs.gov](http://www.irs.gov) for specific exceptions if applicable).

#### Step6

If you are indeed a first-time home buyer (or have not owned a home in 3 years), purchase a home before December 2009, and meet the income limitations, you will most likely qualify for the \$8000 Home Buyer Tax Credit.

## How to Get a Larger Tax Refund by Buying a House

By woodsusa, eHow Member



You could be sitting on a larger tax refund this year!

Rate: ★★★★★ (6 Ratings)

Almost time to do your taxes! But when you file your tax return this year you could be getting more than you expected. The IRS have instituted a new tax credit for first time homebuyers. The credit, which is included in the recently enacted Housing and Economic Recovery Act of 2008, will give taxpayers a credit of up to \$7500. Read on to find out if you qualify!

### Instructions

**Difficulty:** Easy

### Things You'll Need:

- A home purchased between April 8, 2008, and before July 1, 2009
- File your tax return

#### Step1

First you need to see if you'll qualify. If you purchased a home between April 8, 2008, and before July 1, 2009 and it must be your main home, not a vacation or rental property. Also you will not be eligible if you purchased another main home in the 3 years prior to purchasing the current one you are not eligible.


#### Step2

If you meet the above criteria, great! How much will you get? The credit will be 10% of the purchase price of the home up to \$7500. There are other restrictions, such as income, that might limit the amount of credit you can actually get. For more information regarding that please see the resources below.

#### Step3

The credit is fully refundable. This means 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. But there is a catch! It also must be paid back over a 15 year period. So it is like an interest free loan. Two years after receiving the credit you will begin owing an additional \$500 per year in taxes.

## How to Get a First Time Home Buyer Tax Credit

By **gabrielleCPA**, eHow Member 

Rate:      (2 Ratings)

Interested in learning about the First Time Home Buyer Tax Credit? As this tax credit is not like normal credits it can be very confusing. Read on to find out if you qualify for the First Time Home Buyer Tax Credit and to understand and take advantage of the credit.

1

Be a first time home buyer. The credit is available only to first time home buyers, which is defined as someone who has either never owned a home or someone who has not owned a home for the three years prior to the purchase.

Step2

Purchase the home on or after April 9, 2008 and before July 1, 2009. Any home used for the buyer's primary residence is eligible for the first time home buyer tax credit. This includes new, used, or custom built homes as well as mobile homes, manufactured or factory built homes, and houseboats, etc.

Step3

Have an income of less than \$150,000 for a married buyer or an income of less than \$75,000 for a single buyer. This will allow you to qualify for the full credit of \$7,500. Higher incomes will result in a reduced first time home buyer tax credit.

Step4

Understand that the tax credit is really an interest-free loan from the government and must be repaid over a 15-year period. The repayment starts two years after the tax credit is claimed. If the house is sold during the repayment period then the remainder is due from the profits of the sale. If there is insufficient profits then the remaining amount of the credit is forgiven and does not have to be repaid.

Step5

File IRS Form 5405 with your 2008 or 2009 tax return to claim the credit. You do not need to do anything at the time of the purchase in order to claim the first time home buyer tax credit.