

New Tax Incentives for First-Time Homebuyers

Much of the focus of the Housing and Economic Recovery Act of 2008 has been centered around help for struggling homeowners. It is important to note that the bill also offers a tax credit of up to 10% of a home's purchase price, not to exceed \$7,500.00, for first-time buyers who purchase their primary residence between April 9th, 2008 and July 1st 2009.

A tax credit is actually a dollar-for-dollar reduction of your tax bill. And the tax credit is refundable, meaning that homeowners that owe less than \$7,500 in federal income taxes will actually receive a refund of the difference.

IMPORTANT CONSIDERATIONS:

- Homeowners will have to pay it back. While these funds have been labeled a tax credit, it's really a 15 year, zero-interest loan that must be paid back in equal installments over 15 years, starting in the second year after the home is purchased. If you buy a house this year and claim a \$7,500 credit on your 2008 tax return, you'll have to pay an additional \$500 a year in taxes for 15 years, starting in 2010.
- If you sell your house before the 15 years has elapsed, you'll have to repay the entire balance, unless you sell at a loss.
- There are income limits to claim the credit. The tax credit phases out for single taxpayers with adjusted gross income of \$75,000 to \$95,000. For married couples who file jointly, the phase-out is \$150,000 to \$170,000.
- The tax credit cannot be used with Mortgage Revenue Bond Programs, including Minnesota Housing first-time homebuyer programs.

NOTE

The 10% home-buyer credit is actually a 15-year zero interest loan of up to 10% of a home's purchase price, and must be paid back in equal installments over 15 years.

The Minnesota Home Ownership Center is committed to making home ownership attainable for Minnesota families. Our network of pre-purchase counselors is available to provide personalized homeownership planning, and help homebuyers understand this tax credit and other options available to first-time homebuyers. For additional information, call today:
(651) 659-9336 or (866) 462 – 6466 or visit hocmn.org.