

\$8,000 Tax Credit - Quick Facts

American Recovery and Reinvestment Act of 2009

July 2009

<http://www.irs.gov/newsroom/article/0,,id=204671,00.html?portlet7>

Who is Eligible?

- Homebuyers who have not owned a home during the past three years.
- Income less than \$75,000 for singles or \$150,000 for couples. (Higher-income buyers may receive a partial credit)
- All U.S. citizens and permanent resident aliens who file taxes are eligible to participate in the program.
- **Home purchase must be completed (closed) between Jan. 1, 2009 and Nov. 30, 2009.**
- Buyers must live in the house for at least three years, or they will be obligated to pay back the tax credit.

Amount of Tax Credit

The tax credit is for ten percent of the purchase price, but not to exceed \$8,000. So if you purchased a home that costs \$65,000 ($65,000 \times 10\%$), your credit would be \$6,500; but if you purchase a home that costs \$200,000, your tax credit would be \$8,000 which is the maximum credit.

Types of Homes that Qualify for the Tax Credit

- All single-family homes, townhomes or condominiums will qualify.
- The home must be used as a principal residence.

Tax Credit is Refundable

You receive the tax credit, in the form of a refund, after you file your tax return. The refundable portion of the tax credit means you can claim the credit even if you had little or no federal income tax liability to offset. The government will send a check for the difference. Example:

Scenario 1: Your final tax liability is normally \$6,000. You've had taxes withheld from every paycheck and at the end of the year you've paid Uncle Sam \$6,000. Since you've already paid him all you owe, you get the entire \$8,000 tax credit as a refund check.

Scenario 2: Your final tax liability is \$6,000, but you've overpaid by \$1,000 through your payroll withholding. Normally you would get a \$1,000 refund check. In this scenario, you get \$9,000, the \$8,000 credit plus the \$1,000 you overpaid.

Scenario 3: Your final tax liability is \$6,000, but you've underpaid through your payroll withholding by \$1,000. Normally, you would have to write the IRS a \$1,000 check. This time, the first \$1,000 of the tax credit pays your bill, and you get the remaining \$7,000 as a refund.

It's like a free gift, so enjoy shopping for your home. But hurry, your loan must close by Nov. 30, 2009. In addition to the tax credit, when you purchase a home you generally have additional tax deductions (mortgage interest & property taxes) that can further reduce the amount of income taxes you owe.

90-Day Down Payment Advance Program TDHCA

The "Advance" is a loan and, if not re-paid in 90 days, it becomes a 2-year second lien at 10% interest. Due to the potential \$323 monthly payment, FHA requires the payment to be included in the qualifying ratios – even if the loan will be re-paid during the 90-day period. Most first-time home buyers cannot qualify for the home they want if \$323 is added to their monthly payments. So, if the buyer is short on cash, encourage them to get a gift from a family member, or a loan from their 401k. The 401k loan payments are not counted in the qualifying ratio.

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