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The First Time Homebuyer Temporary Tax Credit

President Obama signed legislation on February 17, 2009 that revises and extends the tax credit provisions of H.R. 3221 (The Home Recovery Act of 2008). Section 36 of The Act established a First Time Home Buyer Tax Credit for qualified purchasers.

The Tax Credit will continue to be administered by the IRS and provides a reduction in the tax liability of a home buyer in the year the credit is claimed.

Frequently Asked Questions....

What is the First Time Homebuyer Credit? A federal income tax credit of 10% of the purchase price of the home up to \$8,000.

What is the definition of a first time homebuyer? Generally, a buyer who has not owned a residence during the three-year period prior to the purchase.

Who is eligible to claim the credit? Qualified first time homebuyers purchasing any kind of home-new or resale.

What types of homes qualify for the tax credit? Any home purchased by an eligible first time home buyer, used as a principal residence. The home may be a manufactured home, a modular home and be real or personal property.

Are there income limits to determine who is eligible to take the tax credit? Yes. Modified adjusted gross income (MAGI) of up to \$75,000 for a single or head of household buyer or \$150,000 for joint tax-filers.

If my MAGI is above the limit, do I still qualify for credit? Possibly. A partial credit of less than \$8,000 are available for some tax-payers subject to phase-out limits.

Are there any circumstances which qualified homebuyers may not receive the maximum \$8,000 credit? In general, the credit is equal to 10% of the purchase price and is capped at \$8,000 for homes purchased in 2009.

I heard the credit is refundable. What does that mean? Refundable means that it can be claimed even if the tax-payer has little or no federal income to offset. Should that be the case, the IRS will issue a check to the homebuyer for the difference between the tax due and the amount of the tax credit.

Does the tax credit have to be paid back to the government? There will be no repayment for purchases on or after January 1, 2009 and before December 1, 2009, if the home is not sold for three years.

I heard there is a “recapture” feature in the provision. What does that mean? If the home is sold within three years of purchase, the entire amount of the credit will be recaptured upon sale for homes purchased in 2009.

Is the credit available for homebuyers who receive government sponsored down payment assistance? Yes!

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The information in this flyer is intended for general information only and, as such, it is provided with no guarantee as to its timeliness, completeness or accuracy. You should consult with your chosen advisor for the most complete and up-to-date information and guidance concerning the provisions of H.R. 3221.



Welcome Home!!