

### **Tax Credit for First-Time Homebuyers (FTHBs)**

FTHBs (that is, people who have not owned a home within the last three years) may be eligible for the tax credit. The credit for FTHBs is **10% of the purchase price of the home, with a maximum available credit of \$8,000**. Single taxpayers and married couples filing a joint return may qualify for the full tax credit amount.

### **Tax Credit for Current Homeowners**

The tax credit program now gives those who already own a residence some additional reasons to move to a new home. This incentive comes in the form of **a tax credit of up to \$6,500 for qualified purchasers who have owned and occupied a primary residence for a period of five consecutive years during the last eight years**. Single taxpayers and married couples filing a joint return may qualify for the full tax credit amount.

### **What Are the New Deadlines?**

In order to qualify for the credit, **all contracts need to be in effect no later than April 30, 2010 and close no later than June 30, 2010**. Those in the military do have some special extensions on the timelines available.

### **What's So Great About a "Tax Credit"?**

The benefit of a **tax credit is that it's a dollar-for-dollar benefit**, rather than a "tax deduction", or reduction in a tax liability that would only save you \$1,000 to \$1,500 when all was said and done. So, if a first-time homebuyer who qualified for the entire benefit were to owe \$8,000 in income taxes and would qualify for a tax credit of \$8,000, she would owe nothing.

Better still, the **tax credit is refundable, which means the homebuyer can receive a check for the credit if he or she has little or no income tax liability**. For example, if a first-time homebuyer is eligible for a tax credit of \$8,000 but is liable for \$4,000 in income tax, she can still receive a check for the remaining \$4,000!

### **Higher Income Caps**

The amount of income someone can earn and qualify for the full amount of the credit has been increased. **Single tax filers who earn up to \$125,000 are eligible** for the total credit amount. Those who earn more than this cap can receive a partial credit. However, **single filers who earn \$145,000 and above are ineligible**. **Joint filers who earn up to \$225,000 are eligible** for the total credit amount. Those who earn more than this cap can receive a partial credit. However, joint filers who earn \$245,000 and above are ineligible.

### **Maximum Purchase Price**

Qualifying buyers may purchase a property with a **maximum sales price of \$800,000**.

It's also important to note another upcoming **deadline as the Federal Reserve winds down** a program that has been keeping home loan rates artificially low. The fact is that the lowest rates of 2009 were driven down to their attractive levels because of the Fed's **Mortgage Backed Securities (MBS) purchase program**, which the Fed once again emphasized in its January 27, 2010 Rate and Policy Statement will end on March 31, 2010. As the Fed's program winds down and ends, rates could rise over time since MBS will have less support from the Fed.