

## The Housing and Economic Recovery Act of 2008

If you are in the market to purchase your first home, now is the time to “get off the fence” and investigate your possibilities. The Housing and Economic Recovery Act of 2008 offers a significant financial incentive to explore the opportunities available in today’s housing market.

Here are the general provisions of H.R. 3221, the Housing and Economic Recovery Act of 2008:

**Qualifications:** The tax credit is available for first-time home buyers, which also includes people who have not owned a home for at least three years. It allows first-time home buyers to take a \$7,500 tax credit from the purchase of a (new or resale) single-family home, townhome or condominium apartment. Any home buyer who has not owned a home during the past three years and is a U.S. citizen who files taxes is eligible to participate in this program. Buyers must actually close on the sale of the home on or after April 9, 2008 and before July 1, 2009.

**Income Limits:** Single or head-of-household filers can claim the full \$7,500 tax credit if their adjusted gross income (AGI) is less than \$75,000. For married couples filing a joint return, the income limit doubles to \$150,000. Single or head-of-household taxpayers who earn between \$75,000 and \$95,000 are eligible to receive a partial first-time home buyer tax credit. The same applies to married couples who earn between \$150,000 and \$170,000. Accordingly, the credit is not available for single taxpayers whose AGI is greater than \$95,000 and married couples with an AGI exceeding \$170,000.

**How it works:** A refundable credit means that if a taxpayer pays less than \$7,500 in federal income taxes, the government will write them a check for the difference. For example, if \$5,000 in federal taxes is owed, the taxpayer would pay nothing and a \$2,500 payment would be received from the IRS. If a qualifying home buyer were owed a \$1,000 tax refund, they would receive \$8,750. Buyers can take the tax credit on their 2008 or 2009 tax return. Those who close in 2008 take the credit on their 2008 return. Buyers in 2009 have the option of taking the credit on their 2008 or 2009 returns.

**The payback:** The tax-credit program also has a payback provision. The credit essentially serves as an interest-free loan to be repaid over 15 years. For example, a home buyer claiming a \$7,500 credit would repay the credit at \$500 per year. If the home owner sold the home, then the remaining credit would be due from the profit of the home sale. If there is insufficient profit, then the remaining credit payback would be forgiven.

For more detailed information on how this important incentive works, visit the website, [www.FederalHousingTaxCredit.com](http://www.FederalHousingTaxCredit.com). This website also includes links to the resources you need to help make buying a home easier, including information on the home buying process, financing and new home listings.

The new legislation combined with current market conditions gives home buyers the opportunity of a lifetime to get into the home of their dreams. Interest rates are still at near-historic lows, and due to the housing downturn, there is a large selection of homes on the market to choose from, and prices are more competitive than they have been in years.

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