

NEW TAX CREDIT

On July 30, 2008, President Bush signed into law The Home Recovery Act. The Act establishes a First Time Homebuyer Tax Credit for qualified purchasers.

In January 2009, Congress and President Obama repealed the repayment provision making it a true tax credit.

The Tax Credit is administered by the IRS and provides a reduction in the tax liability of a homebuyer in the year the credit is claimed. This brochure highlights some key provisions of the credit.

The Louisiana Manufactured Housing Association recognizes that each homebuyer has specific tax circumstances and homebuyers should consult with a **qualified tax advisor**.

Disclaimer

The information provided here is not intended, and should not be construed, to be legal, tax or investment advice. Before taking any action based on this information you are strongly encouraged to, and should, consult with a qualified legal, tax and/or investment professional to whom you have provided all pertinent facts and information as to your individual situation. This pamphlet is intended for general information only and as such, it is provided with no guarantee as to its timeliness, completeness or accuracy. This information is based upon a new federal law. Laws can change at any time. You should consult a profession tax advisor for how the tax credit affects you.

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 \$7,500.

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?

Any home purchased which is used as a principal residence—no second or vacation homes. The home may be a manufactured or modular home and may be on your land or leased land.

Are there income limits? Yes, Modified adjusted gross income of up to \$75,000 for a single or head of household buyer or \$150,000 for joint tax-filers.

If my income is above the limit, do I still qualify for credit? Possibly. A partial credit is available for some subject to phase-out limits. Complete IRS Form 5405 to determine the size of your credit.

Are there any circumstances which qualified homebuyers may not receive the maximum \$7,500 credit? In general, the credit is equal to 10% of the purchase price but is capped \$7,500.

I heard the credit is refundable. What does that mean? Refundable means that it can be claimed even if the taxpayer 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? No, originally the credit was to be paid back in equal installments over a fifteen year period, but the Economic Stimulus Act removed that requirement.

How do you claim the credit? On line 69 of Form 1040 enter the amount of the credit as determined by filling out Form 5405. The credit generally will be equal to 10% of the purchase price up to a maximum of \$75,000.



A New Opportunity for Home Ownership



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