

# New Law for First-Time Home Buyers

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The Housing and Economic Recovery Act of 2008 became law with the President's signature on July 30, 2008. Among other things, the Act establishes a tax credit for first-time homebuyers, equal to 10% of the purchase price of the residence. The maximum credit allowed is \$7,500, and is limited for taxpayers with Adjusted Gross Income exceeding \$75,000 (\$150,000 on a joint return).



Tax credits, a dollar for dollar reduction in tax due, are generally something we love, but this one comes with a caution sign. The credit must be paid back. The credit is basically an interest free loan, being paid back to the Internal Revenue Service over fifteen years by adding one-fifteenth of the amount of the credit to your tax liability during years two through sixteen following the credit. If the taxpayer disposes the property before the credit is paid back, or the property is no longer the primary residence, the balance of the unpaid credit is due that tax year.

The credit is available for primary residence purchases from April 9, 2008 through July 1, 2009 and does not apply to property purchased from a relative. It may be right for your circumstances, but remember it must be paid back and regular IRS penalties and interest may apply to late payments as with any tax debt.

~ Kathy Murphy