



Achieving the American Dream just became a little easier.
Introducing Housing Bill H.R. 3221.

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The Housing Bill (H.R. 3221) signed into law by President Bush in July offers first-time homebuyers a tax credit equal to 10% of the cost of their home up to \$7,500. This tax credit is available to first-time homebuyers who purchase a home in the United States as their principal residence on or after April 9, 2008 and before July 1, 2009.

To qualify as a first-time homebuyer, you cannot have owned an interest in a principal residence in the past three years from the date of your qualifying purchase. To qualify for the full amount of the tax credit you must earn no more than \$75,000 if you are filing as Single or Head of Household. If you are filing a Joint return, you may have income of no more than \$150,000. There is a phase out of the credit if you earn more than \$75,000. Consult with your tax advisor to see how much of the tax credit you could qualify to receive.

The tax credit allows you to deduct the credit from your total tax liability for the year in which you take the credit. So, if you have a total tax liability of \$8,000 for 2008 and you qualify for the full \$7,500 first-time homebuyers tax credit, you can deduct the \$7,500 from your tax bill and only pay \$500. Also, the tax credit is "refundable". This means that if your total tax liability for 2008 is \$4,000 and you qualify for the full \$7,500 first-time homebuyers' tax credit, the credit would be used to pay your \$4,000 tax bill and you would receive a tax refund check from the IRS for the \$3,500 difference. Consult with your tax advisor to see how the tax credit would impact your tax return.

This tax credit must be repaid. However, the repayment period is 15 years unless the home is resold before the end of that period and there is no interest on the amount of the credit that you receive. Repayment of the credit begins two years after you claim the credit on your taxes and is repaid in increments of 6.67% per of the credit amount. Consult your tax advisor to learn how the tax credit repayment plan works.

Essentially, the tax credit is a 15 year interest free loan from the government. Since your money today is worth more than an equal amount of money in the future, if you qualify for the tax credit it is a fantastic opportunity that you can't afford to miss. Any money you would have used to pay your tax bill and any refundable portion of the tax credit that you receive can be invested to earn interest. Any interest you earn is your's to keep after you pay back the principal. Consult with your tax advisor or financial planner to see how the tax credit can help you.



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