

Home Tax Credits You Can Take

Homebuyer credits can make first-time home ownership more than just a dream for many Americans. Keep reading to learn more about how to take advantage of federal and other incentives to help homebuyers make their dreams a reality.



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WHO IS A FIRST-TIME HOME BUYER?

The U.S. Department of Housing and Urban Development says a first-time homebuyer is someone who:

- Has not owned a principal residence during the three year period ending on the date of the property purchase (and also their spouse).
- Is a single parent who has only owned a home with a former spouse while married.
- Is a displaced homemaker who has only owned with a spouse.
- Is someone who has not only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- Has only owned property

that was not in compliance with building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.

WHAT IS HUD?

The Department of Housing and Urban Development administers programs that provide housing and community development assistance. It also enforces fair and equal housing laws. HUD, as it is known, was founded in 1965

as part of President Lyndon B. Johnson's Great Society program.

What first-time homebuyers should know is that HUD grants funds for first-time home buyers to groups with IRS tax-exempt status. So your first-time homebuyer grants through nonprofits and other organizations may well originate from HUD.

RAID YOUR IRA

You can use up some \$10,000 of portfolio earnings

out of a traditional IRA or Roth IRA without paying the early withdrawal penalty if you're a first-time homebuyer using it to buy a home. In this case, the IRS defines a first-time homebuyer as someone who hasn't owned a personal residence in two years. This is different from HUD, who requires three years.

STATE PROGRAMS

Your state may offer similar programs. These are usually based on income,

Investopedia says, and may also limit the price of the property purchased. But they can also include costs to improve the property, so these programs are worth looking into.

FEDERAL NATIONAL MORTGAGE ASSOCIATION'S HOMEPATH READYBUYER

This is another program that offers closing cost assistance in exchange for new home buyers completing a mandatory online course. This assistance can be used to purchase a foreclosed property owned by Fannie Mae.

DEDUCTIONS EVERYONE CAN TAKE

Of course, first-time homebuyers can also take advantage of programs that are available to all homeowners. These include a tax deduction for your home mortgage, limited to interest paid on \$750,000 or less for people that are married and filing jointly and \$375,000 for those married and filing separately. Also, this deduction is only for those that itemize, and a 2021 bill increased the standard deduction to make it less likely that you'll itemize your taxes. Still, it's there, and you'll get a 1098 form from your lender showing how much you paid.

REAL ESTATE 101

Government Guide to Buying a Home

The U.S. Department of Housing and Urban Development will walk you through the home buying process with their guide to buying a home, found at: [hud.gov/topics/buying_a_home](https://www.hud.gov/topics/buying_a_home).



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HOMEWISSE GLOSSARY

Conforming loan: A mortgage loan that meets underwriting guidelines for Fannie Mae and Freddie Mac. **SOURCE:** MLS.com

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