



FirstHomes TAX CREDIT

Every first home has its rewards

The FirstHomes Tax Credit is a great option to help new homebuyers save money.

What is the FirstHomes Tax Credit Program?

The FirstHomes Tax Credit, also known as a "Mortgage Credit Certificate" was authorized by Congress in the 1984 Tax Reform Act as a means of providing housing assistance to families based on income and eligibility guidelines. As the state's housing finance agency, RIHousing is an Issuer of Mortgage Credit Certificates.

The program reduces the amount of federal income tax a homeowner pays by providing an annual federal income tax credit, not a tax deduction, that is in effect for the life of the loan, as long as the homeowner occupies the home as their principal residence. The value of the FirstHomes Tax Credit is applied directly to the homeowner's tax liability.

The FirstHomes Tax Credit is available to homebuyers who meet household income and home purchase price limits established for the program, as well as other federal eligibility regulations.

How will the program assist my home purchase?

The federal government allows each homeowner to claim an itemized federal income tax deduction for the amount of interest paid each year on a mortgage loan. For a homeowner with a FirstHomes Tax Credit, this benefit is even better: 20% of your annual mortgage interest (up to \$2,000) will be a direct federal tax credit, resulting in a dollar-for-dollar reduction of your annual federal income tax liability. The remaining 80% of your annual mortgage interest will continue to qualify as an itemized tax deduction.

The amount of your mortgage credit depends on the amount of interest you pay on your mortgage loan. However, the amount of your mortgage credit cannot exceed the amount of your annual federal income tax liability. Any unused mortgage credit can be carried forward for three years to offset future income tax liability.

How do I obtain the FirstHomes Tax Credit?

You are free to seek financing from any lender. However, the credit is only available through RIHousing or a FirstHomes Tax Credit Approved Lender (visit firsthomestaxcredit.com for a complete list of lenders).

What are the requirements?

- First-time Rhode Island homebuyers and non first-time homebuyers in select areas of Central Falls, Pawtucket, Providence and Woonsocket. *To be considered a first-time homebuyer, you cannot have an ownership interest in a principal residence at any time in the last three years.*
- The mortgage must be a new loan. You cannot be issued a FirstHomes Tax Credit for the acquisition, replacement or refinancing of an existing mortgage loan.
- The home must be your principal residence.
- The federal government considers the FirstHomesTax Credit to be a subsidy. As such, you may be subject to federal "recapture tax" if you (1) sell your home within nine years, (2) earn significantly more income than when you bought the home, and (3) sell your home at a gain. *All three of these criteria must be met for you to owe any recapture tax.*
- A \$100 Reservation Fee begins the application process. Other processing fees may apply; check with your lender for more details. Loans must close within 90 days of issuance of a FirstHomes Tax Credit Conditional Commitment.

What are the income and purchase price limits?

INCOME LIMITS:

Annual household income must be less than \$95,948 (1-2 person household) or \$110,341 (3+ person household).

PURCHASE PRICE LIMITS:

Maximum purchase price of \$454,258 for a one- to four-family home or eligible condominium.

Please contact RIHousing or a FirstHomes Tax Credit Approved Lender to learn more about program requirements.

