



# FirstHomes TAX CREDIT

Every first home has its rewards

## The FirstHomes Tax Credit is a great option to help first-time homebuyers save money.

### What is the FirstHomes Tax Credit Program?

The FirstHomes Tax Credit, also known as a “Mortgage Credit Certificate,” 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 federal government allows each homeowner to claim an itemized federal income tax deduction for the amount of mortgage interest paid each year. 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.

### How do I obtain the FirstHomes Tax Credit?

You may seek financing from any lender. However, the credit is only available through RIHousing or a FirstHomes Tax Credit Approved Lender.

Visit [FirstHomesTaxCredit.com](https://www.FirstHomesTaxCredit.com) for a complete list of lenders.

### Additional 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 in the last three years.*
- The accompanying mortgage must be for a purchase transaction.
- 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) realize a gain on the sale of your home. *All three criteria must be met for you to owe a recapture tax.*
- A \$100 Reservation Fee and other processing fees apply; check with your lender for more details. Loans must close within 90 days of issuance of a FirstHomes Tax Credit Conditional Commitment.

### INCOME LIMITS:

Annual household income must be less than \$97,646 (1-2 person household) or \$112,293 (3+ person household).

### PURCHASE PRICE LIMITS:

Maximum purchase price of \$453,863 for a one- to four-family home or eligible condominium.



Contact RIHousing or a FirstHomes Tax Credit Approved Lender to learn more.

