

FIRST-TIME HOMEBUYER TAX CREDIT

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Soaring home prices have placed homeownership out of reach for many in Oregon and the rest of the country. For example, first-time homebuyers made up just 34 percent of all homebuyers in 2018, six percentage points below the long-term average of 40 percent. Similarly, the homeownership rate for 25-34 year olds is six percentage points less than it was 30 years ago and 8 percentage points less for 35-44 year olds. Meanwhile, rising median home prices have outstripped gains in median household income for the last six years. As a result, the price of a typical home sold in 2017 was more than four times median income.

We propose a first-time homebuyer tax credit. The bill would deliver more purchasing power to renters hoping to buy their first home. The credit equals 2.5% of the home purchase price, up to a maximum of \$10,000 (reached at \$400,000 of home value). It phases out for individuals with incomes above \$80,000 (\$160,000 for married couples filing joint returns). The credit is fully refundable, meaning that homebuyers who owe little or no tax could receive the balance of the credit as a refund. The credit also phases out for home values above \$600,000.

Requirements for claiming the credit. To claim the credit, taxpayers must provide Social Security numbers for themselves and their spouse and must attest that they have not previously owned a home. They must also include their closing disclosure form (formerly called a "HUD 1") along with their tax return as this document includes the home price and date of purchase along with other needed information to verify the home purchase. Finally, taxpayers claiming the credit who then re-sell their home within five years of purchase must pay back a portion of the credit unless they have special circumstances, such as job relocation, job loss, military deployment, and the like.