

First-Time Homebuyer Tax Credit Act

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Owning a home is further out of reach for more Americans now than ever before. In 2022, the median sale price for a home in the U.S. was 5.6 times higher than the median income, a ratio that is higher than during the years immediately preceding the 2007 mortgage crisis and is the highest disparity on record.

In Rhode Island, there are currently no communities where families earning the state's median income can afford to buy a typical home. Nationwide, the shortage of affordable housing opportunities costs the American economy an estimated \$2 trillion each year. High housing costs reduce disposable income and economic mobility, stifling economic opportunities both for those who can no longer afford housing and their communities.

And high housing unaffordability is uniquely disastrous for young people, who are struggling to reach the same milestones as their parents did at their age. In 2022, the typical age of a first-time homebuyer reached a record high of 36, up from 29 in 1981. Over the same period, first-time homebuyers as a percentage of all homebuyers nationwide fell from 38% to 26%.

The *First-Time Homebuyer Tax Credit Act* would support home ownership among lower- and middle-income Americans by establishing a refundable tax credit worth up to 10% of a home's purchase price (to a maximum of \$15,000) for first-time homebuyers. A \$15,000 first-time homebuyers tax credit was a key 2020 Biden campaign proposal. Under the Act:

1. Taxpayers would have the option of receiving the credit at the time of purchase by working with their mortgage issuer.
2. Taxpayers alternatively can elect to treat the purchase of their home as occurring in the prior taxable year to receive the credit before tax season if they are unable to qualify for the credit at point of sale.
3. The credit phases out for those making above 150% of area median income and for those buying a house with a purchase price above 110% of the area median purchase price.
4. The credit is limited to home purchases financed through federally-backed mortgages.