

# MARYLAND FIRST-TIME HOMEBUYER TAX CREDIT

## ***What's the Benefit?***

The Maryland First-Time Homebuyer Credit exempts the buyer from paying the State Transfer Tax.

## ***Qualifications***

- All homebuyers\* must be individuals (cannot be a trust or other entity) who have never owned in the state of Maryland residential real property that has been the individual(s) principal residence; and
  - The residence will be occupied as the homebuyer's principal residence.
- \* There is an exemption that will allow a homebuyer to qualify if a co-buyer is on title solely for the loan qualification and will not occupy the property as a principal residence.

# FIRPTA

## ***What is it?***

The Foreign Investment in Real Property Tax Act ("FIRPTA") requires foreign persons to pay U.S. income tax on gains they make from selling U.S. real estate.

## ***Guidelines***

- If the sales price is \$300,000 or less, AND the property will be used by the buyer as a residence (per current regulations), no sums need be withheld or remitted.
- If the sales price exceeds \$300,000 but does not exceed \$1,000,000, AND the property will be used by the buyer as a residence, then the withholding rate is 10% on the amount realized.
- If the sales price exceeds \$1,000,000, then the withholding rate is 15% on the amount realized, regardless of use by the buyer. The amount realized is generally the sales price.

# AGENT'S CHEAT SHEET

*DC & Maryland Edition*

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## DC TAX ABATEMENT

### *What's the Benefit?*

- First, the DC Recordation Tax is reduced to \$0. Sellers may credit their 1.1% or 1.45% DC Transfer Tax to the homebuyer instead of the DC Treasurer.
- Second, beginning October 1 following the date of application, the homebuyer will be exempt from paying real property taxes for 5 years thereafter.

### *Qualifications*

- Purchase price of the property must be \$479,066 or less.
- Purchaser must be domiciled in the District of Columbia.
- Property must be principal residence.
- Income threshold (max gross income) must be:

### *Persons in Households / Income Limits*

1 / \$65,220	5 / \$100,620
2 / \$74,520	6 / \$108,060
3 / \$83,820	7 / \$115,500
4 / \$93,120	8 / \$122,940

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## DC FIRST-TIME HOMEBUYER RECORDATION TAX DEDUCTION

### *What's the Benefit?*

DC First-Time Recordation Tax is reduced to 0.725% from customary 1.1% or 1.4%.

### *Qualifications*

- Homebuyer\* has never owned a principal residence in the District of Columbia.
- Homebuyer must qualify for the DC Homestead Deduction.
- Purchase price cannot exceed \$647,000.
- Total Household Income cannot exceed defined thresholds listed below:

### *Persons in Households / Income Limits*

1 / \$153,000	5 / \$235,980
2 / \$174,780	6 / \$253,440
3 / \$196,560	7 / \$270,900
4 / \$218,340	8 / \$288,360

*\* A Trust/Trustee, as a homebuyer, is eligible if the Trust is a revocable trust AND the Trustee is the primary beneficiary under the trust agreement.*

# AN INDEPENDENT TITLE COMPANY SINCE 1996

## DC HOMESTEAD DEDUCTION

### *What's the Benefit?*

- First \$75,700 of the assessed value is exempt from the tax rate of \$0.85/\$100 resulting in an annual savings of \$643.45.
- Second, the taxable assessed value of the property may not increase more than 10% each year.

### *Qualifications*

- Must be residential (1-5 units) property.
- Must be occupied as principal residence by DC resident.
- Generally, must be US Citizen. Some G-4 visa holders may qualify as residents by providing a letter from their international organization employer.