

For Immediate Release

Contact: Amy Pickett
MK Communications
312-822-0505

First-time Chicago homebuyers see big returns with “TaxSmart”

CHICAGO (August 11, 2005) – While a young couple awaits the birth of their first child, they settle into their first home—a historic Chicago bungalow in the South side neighborhood of Beverly. A few miles north of the Loop, another couple decorates their first home in Edgewater. In Hyde Park, a young woman enjoys her first home, a condo.

Not only have all of these Chicago residents purchased their first homes within the last year, they have also benefited from TaxSmart, a new program offered by the City of Chicago Department of Housing that enables them to save up to thousands of dollars each year on their federal income taxes.

“We learned about TaxSmart at Neighborhood Housing Services in one of their 4-session First-time Homebuyers courses. Our instructor explained it to us,” said La Morris Richmond, a professional comic book writer. He and his wife, Lisa, a kitchen and bath designer, purchased their first home in Edgewater last year. “When we were shopping for mortgages, we kept bringing TaxSmart up to all of our brokers.”

When it came time to file taxes this year, the Richmonds’ knowledge of TaxSmart paid off. “This year we were doing our taxes and we ended up with a huge tax bill and we were surprised by that,” explained Mr. Richmond. “We reminded our tax preparer about our being part of the TaxSmart program and eventually it all got cleared up. Because of TaxSmart, we ended up with a refund. It really came in handy.”

With TaxSmart, Chicagoans who buy or rehab a home not only receive a standard deduction on their federal income taxes, but are also eligible for a tax ‘credit’, -- an amount actually subtracted from the amount they owe the federal government, after all calculations are made and a bottom line tax bill is arrived at. Those who buy a home with TaxSmart are eligible for a credit equal to 20% of their yearly mortgage interest paid; for those who use TaxSmart for rehab, the credit equals 50% of the yearly interest paid on the loan – up to \$2,000 a year, each year for the life of the loan.

Part of what makes TaxSmart a unique program is that unlike other mortgage or home loan programs, TaxSmart is non-proprietary and can be used with any mortgage, home equity or home loan product. Residents who wish to use TaxSmart simply shop for the best mortgage or home loan products at any lender who is participating in the program and work with the lender to determine how the program can best benefit them.

Once the loan is closed, owners are provided with a “mortgage credit certificate” which is to be copied and turned in with their federal income tax filing each year that they are claiming the credit.

Lillie Jernigan who works at Neighborhood Housing Services teaching homeowner education classes also enrolled in TaxSmart when she was ready to purchase her condo in Hyde Park last spring. “When I teach homeowner education classes at NHS, I try to give a basic description of the program,” Ms. Jernigan explained. “I explain how you get a mortgage deduction for everything you pay in mortgage interest, and more – it’s a double benefit. I also explain that it doesn’t happen right away up front. The savings happens every year, a concept that is new to most first time homebuyers. I’ve already seen savings on my last income tax return.”

Monica Wilczak, Assistant Director of Development at the Gene Siskel Film Center, and her husband Chris, a web designer, will soon welcome their first child into their first home that they just moved into in June. "We wanted our first home to be a bungalow," said Wilczak. "We did a lot of research before we made our purchase-we've been looking for over a year. We heard about TaxSmart on the Historic Chicago Bungalow Association web site and our mortgage broker also brought it up. The process of applying for TaxSmart was easy because our mortgage broker handled it. The whole process took about two weeks, about the same time as it takes to apply for a regular mortgage."

Eligibility guidelines are generous with income limits ranging from \$72,000 for a single individual to \$105,000 for a household of 3 or more persons. Similarly, home price eligibility limits range from \$325,000 for a single family residence to \$628,000 for a four unit building in a targeted area. In addition, the home purchase tax credit is available only to those who are buying their first home or who have not bought a home within the past three years. Rehab tax credits have no such restrictions.

Would these homeowners recommend the program to their friends and loved ones? “I would absolutely recommend it to my friends and family,” said Ms. Jernigan. “There’s no reason not to do it. The program is designed for people who want to invest in and be a part of the Chicago community.”

Mr. Richmond agrees, “I recommend TaxSmart all the time. A lot of other cities and states don’t have programs like TaxSmart and I don’t understand why not. I tell my family and friends, ‘You should do it. Use the opportunity.’ I tell them to call 311 and ask for the First-time Homebuyers package and to read about it for themselves. All I can tell you is, it’s super.”

For more information and a complete list of lenders involved with TaxSmart, Chicago residents can call 311 or 312-744-5000, as well as visit www.cityofchicago.org/housing.

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