

First Time Homebuyer Credit

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Small Business/Self-Employed Division
Date

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First Time Homebuyer Credit for 2008 and 2009

- 2008 FTHB
 - Maximum credit \$7,500
 - Repayment over 15 years
 - Purchases must have been completed between 4/9/2008 and 12/31/2008
- 2009 FTHB
 - Maximum credit \$8,000
 - No Repayment
 - Purchase must be completed between 01/01/2009 and before 12/1/2009



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Eligibility Requirements

- Primary residence
- Closed on the qualified purchase prior to claiming credit
- Must be a first-time homebuyer
- Income limitation



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Eligibility Requirements (Continued)

- File Form 5405
- Non-resident aliens not eligible
- Principal residence not acquired/purchased from related person
- Home not acquired by gift or inheritance



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Requirement to File Form 5405

- Claim the First Time Homebuyer Credit
- Change in main home disposition
- Repayment of credit



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Required Documentation for Audits

- Copy of closing contract (HUD-1 Settlement Statement)
- Most recent monthly mortgage statement
- Occupancy permit, if newly-constructed
- At least two of the following showing name and address:
 - Current driver's license or other state-issued identification
 - Recent pay statement (within the last two months)
 - Recent bank statement (within the last two months)
 - Current automobile registration



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Common FTHBC filing errors

- Credit claimed prior to closing or taking occupancy of home
- Incomplete or incorrect Form 5405
- Married filing separate taxpayers each incorrectly claim \$7,500 or \$8,000 credit on his or her separate returns
- Taxpayer has owned a home in the last three years
- MFJ claimed FTHBC when one spouse was a prior homeowner



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More FTHBC filing errors

- No purchase on rent to own agreement
- Credit claimed prior to purchase by including future date on Form 5405
- Split FTHBC claims which exceed maximum allowed
- More than 10% of the purchase price claimed



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2008 Purchase Repayment Triggers

- Normally repaid in 15 equal annual installments beginning in 2010
- No further repayment of a deceased taxpayer (If MFJ, surviving spouse has repayment commitments)
- Home ceases to be a main home
- Converted home to rental or business use



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2008 Purchase Repayment Triggers (Continued)

- Home was disposed of by foreclosure, repossession or abandonment
- Sold home before repayment
- Transferred home to ex-spouse due to divorce settlement



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2009 Purchase Repayment Triggers

- Sold home to unrelated person for a gain
- Sold home to related person
- Converted home to rental or business use
- Home was disposed of by foreclosure, repossession, or abandonment
- Still own the home but no longer uses as a main home



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2009 Purchase Repayment Triggers (Continued)

- Transferred home to ex-spouse due to divorce settlement
- Home was destroyed, condemned, or disposed of under condemnation threat
- Taxpayer who claimed credit died in 2009
 - No repayment of the credit is required of the deceased however, if there is a joint return, the spouse is responsible for the repayment



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No Repayment Required

- Home purchased in 2009 and remains to be primary residence beyond three years from purchase date
- Home sold to unrelated person, with no gain
- Home transferred to ex-spouse in divorce settlement (repayment requirements passed to ex-spouse)
- Taxpayer claiming credit died in 2009 (If joint return filed, surviving spouse is responsible for repayment)



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Failure to Comply Penalties

- Penalties can be imposed for negligence, substantial understatement of tax, filing an erroneous refund claim, and fraud
- Criminal penalties may be imposed for tax evasion, or making a false statement



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Resources

- IRS.gov
 - Search “ARRA information center”
 - Search “first time homebuyer credit”
- Updated information for 2009 tax returns
 - Publication 523, Selling Your Home
 - Form 5405, First-Time Homebuyer Credit

