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Instructions for Form 5405

(Rev. November 2021)



Department of the Treasury
Internal Revenue Service

Repayment of the First-Time Homebuyer Credit

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Future Developments

For the latest information about developments related to Form 5405 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form5405](https://www.irs.gov/Form5405).

Reminder

Repayment requirement. The repayment requirement has expired for homes purchased after 2008. The repayment requirement continues to apply to homes purchased in 2008.

Purpose of Form

Use Form 5405 to do the following.

- Notify the IRS that the home you purchased in 2008 and for which you claimed the credit was disposed of or ceased to be your main home in 2021. Complete Part I and, if applicable, Parts II and III.
- Figure the amount of the credit you must repay with your 2021 tax return. Complete Part II and, if applicable, Part III.

Who Must File

You must file Form 5405 with your 2021 tax return if you purchased your home in 2008 and you meet either of the following conditions.

1. You disposed of it in 2021.
2. You ceased using it as your main home in 2021.

But see [Exceptions](#), later.

In all other cases, you aren't required to file Form 5405. Instead, enter the repayment on 2021 Schedule 2 (Form 1040), line 10. For example, you aren't required to file Form 5405 if you are making an installment payment of the credit you claimed for a home you purchased in 2008, and you owned and used the home as your main home during all of 2021.

Credit claimed on a joint return. If you and your spouse claimed the credit on a joint return, each spouse is treated as having been allowed half of the credit for purposes of repaying the credit. Each spouse who meets either condition 1 or 2 above must file a separate Form 5405.

Exceptions

The following are exceptions to the repayment rule.

Condemnation or threat of condemnation. If the home is destroyed, or you sell the home through condemnation or under threat of condemnation to someone who isn't related to you and you don't acquire a new home within the 2-year period, the repayment with your return for the year in which the 2-year period ends is limited to the gain on the disposition as determined in Part III of Form 5405. The amount of the credit in excess of the gain doesn't have to be repaid. (See [Related Persons](#), later.)

Transfer to spouse or ex-spouse. If the home was transferred to a spouse (or ex-spouse as part of a divorce settlement), the spouse who received the home is responsible for repaying the credit (regardless of whether he or she was the purchaser) if none of the other exceptions apply.

Person who claimed the credit dies. If a person who claimed the credit dies, repayment of the remaining balance of the credit isn't required unless the credit was claimed on a joint return. If the credit was claimed on a joint return, then the surviving spouse is required to continue repaying his or her half of the credit (regardless of whether he or she was the purchaser) if none of the other exceptions apply.

Related Persons

Related persons include the following.

1. Your spouse, ancestors (parents, grandparents, etc.), or lineal descendants (children, grandchildren, etc.).
2. A corporation in which you directly or indirectly own more than 50% in value of the outstanding stock of the corporation.
3. A partnership in which you directly or indirectly own more than 50% of the capital interest or profits interest.

For more information about related persons, see the discussion under *Non-deductible Loss* in chapter 2 of Pub. 544, *Sales and Other Dispositions of Assets*. When determining whether you acquired your main home from a related person, family members in that discussion include only the people mentioned in (1) above.

Specific Instructions

Part I. Disposition or Change in Use of Main Home for Which the Credit Was Claimed

Complete Part I if you claimed the first-time homebuyer credit for a home purchased in 2008 and either you disposed of the home or it ceased to be your main home in 2021. This includes situations where:

- You sold the home (including through foreclosure);
- You converted the entire home to business or rental property;
- You abandoned the home (except in connection with a sale or foreclosure);
- The home was destroyed, condemned, or disposed of under threat of condemnation; or
- The taxpayer who claimed the credit died in 2021.

Sales (including through foreclosure). In the case of a sale (including through foreclosure) of your main home, you must repay the credit with the tax return for the tax year in which the sale is completed. In general, this will occur when the purchaser (or lender) obtains title to your home.

Name and social security number. Enter your name and social security number. Each spouse who meets condition 1

or 2 earlier under [Who Must File](#) must file a separate Form 5405. Each spouse must enter only his or her name and social security number on his or her separate Form 5405. This is true whether a joint return or separate returns are filed.

Line 1. If your home was destroyed or condemned, or you disposed of the home under threat of condemnation, enter the date it was destroyed, condemned, or disposed of under threat of condemnation (or the date it ceased to be your main home, whichever is earlier).

Line 2. Check the box if you (or your spouse, if married):

- Are, or were, a member of the [uniformed services](#) or [Foreign Service](#) or an [employee of the intelligence community](#) (defined below); and
- Sold the home or the home ceased to be your main home after 2008 because you (or your spouse, if married) received U.S. Government orders to serve on [qualified official extended duty](#) (defined next).

If you (or your spouse, if married) meet both of these conditions, you (and your spouse, if married) don't have to repay the credit.

Qualified official extended duty. You are on qualified official extended duty while:

- Serving at a duty station that is at least 50 miles from your main home, or
- Living in U.S. Government quarters under U.S. Government orders.

You are on extended duty when you are called or ordered to active duty for a period of more than 90 days or for an indefinite period.

Uniformed services. The uniformed services are:

- The Armed Forces (the Army, Navy, Air Force, Marine Corps, and Coast Guard),
- The commissioned corps of the National Oceanic and Atmospheric Administration, and
- The commissioned corps of the Public Health Service.

Foreign Service member. For purposes of the credit, you are a member of the Foreign Service if you are any of the following.

- A Chief of mission.
- An Ambassador at large.
- A member of the Senior Foreign Service.
- A Foreign Service officer.
- Part of the Foreign Service personnel.

Employee of the intelligence community. For purposes

of the credit, you are an employee of the intelligence community if you are an employee of any of the following.

- The Office of the Director of National Intelligence.
- The Central Intelligence Agency.
- The National Security Agency.
- The Defense Intelligence Agency.
- The National Geospatial-Intelligence Agency.
- The National Reconnaissance Office and any other office within the Department of Defense for the collection of specialized national intelligence through reconnaissance programs.
- Any of the intelligence elements of the Army, the Navy, the Air Force, the Marine Corps, the Federal Bureau of Investigation, the Department of the Treasury, the Department of Energy, and the Coast Guard.
- The Bureau of Intelligence and Research of the Department of State.
- Any of the elements of the Department of Homeland Security concerned with the analyses of foreign intelligence information.

Lines 3a, 3b, and 3c. If you sold your home to someone who **isn't** related to you, complete Part III to figure the gain or (loss) on the sale. (The person isn't related to you if he or she doesn't meet the definition under [Related Persons](#), earlier.) The repayment is limited to the amount of gain. The amount of the credit in excess of the gain doesn't have to be repaid.

Line 3d. See the [Tip](#) below for information about converting your entire home to business or rental use.

Don't check this box if you converted only a part of the home to rental or business use and you continue to use the other part as your main home. Don't file Form 5405 for this conversion. Enter your annual repayment on your 2021 Schedule 2 (Form 1040), line 10.

Example 1. You claimed the credit for a home you purchased in 2008. In January 2021, you converted the basement of your home for use as a child care business. You continued to use the rest of your home as your main home in 2021. You are required to repay at least one-fifteenth ($1/15$) of the credit with your 2021 return. You don't have to file Form 5405. Instead, enter the repayment on your 2021 Schedule 2 (Form 1040), line 10.

Example 2. You claimed the credit for a home you purchased in 2008. In January 2021, you moved out of the home and converted it to rental property. You must check the box on line 3d and complete Part II. In this case, you must repay the balance of the credit with your 2021 tax return.



When you convert your entire home to business or rental use, you no longer use any part of it as your main home. The home is used for business if you use it for an activity that you carry on to make a profit. The facts and circumstances of each case determine whether or not an activity is a business.

Line 3e. Check the box on line 3e if you meet either of the following conditions.

- You transferred the home to your spouse.
- You and your spouse divorced and you transferred the home to your ex-spouse as part of the divorce settlement. Include the full name of your ex-spouse in the space provided.

The spouse who received the home is responsible for repaying the credit under the rules provided in these instructions.

Lines 3f and 3g—Home destroyed or sold through condemnation or under threat of condemnation. If your

home was destroyed or you sold your home through condemnation or under threat of condemnation to a person who isn't related to you, the amount of the credit you have to repay (if any) is limited to the gain on the disposition. Complete Part III to determine whether you have a gain. Check the box on line 3f if you have a gain. **If you don't have a gain, you don't have to repay any of the credit.** Check the box on line 3g if you don't have a gain. Then read the instructions below for line 3f or line 3g, whichever applies.

Line 3f. If you acquired or plan to acquire a new home within 2 years of the event, you must generally continue to repay the credit over a 15-year period that began with your 2010 tax return. Complete Part II to figure your installment payment for 2021 if the event wasn't a sale to a [related person](#).

If you don't acquire a new home within the 2-year period, the following rules generally apply.

- If the event occurred in 2019, you must generally repay the balance of the credit in full with your 2021 return. You don't have to file Form 5405. Instead, enter the repayment on your 2021 Schedule 2 (Form 1040), line 10.
- If the event occurred after 2019, your annual repayment requirement continues until the year in which the 2-year period ends. On the tax return for the year in which the 2-year period ends, you must include all remaining installments as an increase in tax.

Line 3g. If you don't have a gain, you don't have to repay any of the credit, unless you sold your home under threat of condemnation to someone who is related to you. If the buyer is related to you, the rules explained above for line 3f apply, except that you must repay the entire amount of the credit you claimed if you didn't acquire a new home within the 2-year period. This is true even if you had a loss on the sale.

Line 3h. If you are filing a joint return for 2021 with the deceased taxpayer, complete Form 5405 with the deceased taxpayer's information only. Check box 3h and file the form with your joint return. The deceased taxpayer need not repay the credit in 2021 or any later year.

If you claimed the credit on a joint return with the deceased taxpayer, the following rules also apply.

1. If you didn't dispose of the home and the home didn't cease to be your main home, **don't** complete a separate Form 5405 with your information.

2. If you disposed of the home or the home ceased to be your main home, complete a separate Form 5405 with your information only. Check the appropriate box on lines 3a through 3g and file the form with your joint return.

Note. If you originally claimed the credit on a joint return, instructions 1 and 2 above apply even if you aren't filing a joint return with the deceased taxpayer for 2021.

Part II. Repayment of the Credit

If you owned the home and used it as your main home during all of 2021, you must continue repaying the credit with your 2021 tax return. You don't have to file Form 5405. Instead, enter the repayment on your 2021 Schedule 2 (Form 1040), line 10.

If you are required to repay the credit because you disposed of a home you purchased, or that home ceased to be your main home, you must generally repay the balance of the unpaid credit with your 2021 tax return. An exception applies if your home was destroyed or condemned, or you disposed of the home under threat of condemnation, and you didn't acquire a new main home within 2 years of the event. (See the instructions for lines [3f](#) and [3g](#), earlier.) Another exception applies for certain members of the uniformed services or Foreign Service or employees of the intelligence community (see the instructions for [line 2](#), earlier).

TIP *If you and your spouse claimed the credit on a joint return, each spouse is treated as having been allowed half of the credit for purposes of repaying the credit. Each of you must file a separate Form 5405 to notify the IRS that you disposed of the home or ceased to use it as your main home and figure the amount of the repayment.*

Line 4. If you claimed the credit on a joint return but your spouse died, enter one-half ($\frac{1}{2}$) of the credit you claimed. The remaining half (that is, your spouse's half) doesn't have to be repaid. If you and your spouse claimed the credit and the home was later transferred to you by your spouse (or

ex-spouse as part of a divorce settlement), enter the total credit claimed by both you and your spouse (or ex-spouse).

Enter the credit you claimed for a home that was destroyed or that you sold through condemnation or under threat of condemnation.

Line 6. If you checked the box on line 3f and the event wasn't a sale to a [related person](#) (defined earlier), go to line 7.

If you checked the box on line 3f or line 3g and the event was a sale to a [related person](#) (defined earlier), skip line 7 and go to line 8.

Line 7. If any of the following conditions apply, enter on line 7 the gain from line 15.

- You checked the box on line 3a.
- You checked the box on line 3f and the event wasn't a sale to a [related person](#) (defined earlier).

If neither of the above conditions apply, leave line 7 blank.

Line 8. Read the following to determine the amount to enter on line 8.

1. If you checked the box on line 3a, enter the smaller of line 6 or line 7 on line 8.

2. If you checked the box on line 3c or line 3d, enter the amount from line 6 on line 8.

3. If you checked the box on line 3f or line 3g, the following rules apply.

a. If you checked the box on line 3f for an event that occurred in 2021 and you didn't sell the home to a [related person](#) (defined earlier), your repayment is limited to the gain. If line 7 is less than line 6, divide line 7 by 4.0. Otherwise, divide line 4 by 15.0. This is the minimum amount you must repay with your 2021 return. Enter this amount (or a larger amount if you choose) on line 8. But see [Repaying more than the minimum amount](#) below.

b. If you checked the box on line 3f or line 3g for an event that occurred in 2021 and you sold the home to a [related person](#) (defined earlier), divide line 4 by 15.0. This is the minimum amount you must repay with your 2021 return. Enter this amount (or a larger amount if you choose) on line 8. But see [Repaying more than the minimum amount](#) below.

c. If you don't repay your credit earlier, you continue to repay the amount described above with every tax return for the next 3 years (2022 through 2024). But see (d) next for an exception.

d. If you don't acquire a new main home within 2 years of the event, (c) above doesn't apply. Instead, you must include any remaining installments as an increase in tax on the tax return for the year in which the 2-year period ends.

Repaying more than the minimum amount. You must repay at least one-fifteenth ($\frac{1}{15}$) of the credit with every tax return during the repayment period until the year the credit is paid in full. You can choose to repay more than the minimum amount with any tax return. Your final payment may be less than the required minimum amount.

Example. You claimed a \$7,500 credit for a home purchased in 2008. You are required to repay at least \$500 of the credit ($\$7,500 \div 15 \text{ years} = \500) each year for 15 years starting with your 2010 tax return. However, you chose to repay \$1,200 with your 2010 tax return; you made the required minimum payment of \$500 with your 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021

tax returns; and you choose to repay \$600 with your 2022 tax return. The minimum repayment with your 2023 tax return is \$200 (the balance of unpaid installments)—not \$500.

Part III. Form 5405 Gain or (Loss) Worksheet

Line 12. Enter the amount from line 6 of Worksheet 2 in Pub. 523.

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