

**Recapture of Credit for Purchase or
 Construction of New Principal Residence**
 ▶ Attach to Form 1040.

1979

Name(s) as shown on Form 1040 _____ Your social security number _____

1 Date you acquired the residence on which you claimed credit. (If self-constructed, date you first occupied the residence.)	1	
2 Date you sold the residence. (If this date is more than 36 months after the date on line 1, do not complete the rest of form. You do not have to recapture any of the credit.)	2	
3 Date you acquired the replacement residence. (If self-constructed, check here <input type="checkbox"/> and give date construction began and date you occupied the residence. If you did not replace the residence within the replacement period, OR are not the first occupant of the replacement residence, skip lines 5 through 8 and enter on line 9 the amount from line 4.)	3	
4 Amount of credit claimed on residence sold. See the exceptions in instruction A. If you qualify, do not fill in rest of form; check here <input type="checkbox"/> and explain _____	4	
5 Enter adjusted sales price of residence sold, from Form 2119, line 10	5	
6 Cost of replacement residence, from Form 2119, line 11 or 17. (If line 6 is equal to or more than line 5, and you are the first occupant of the replacement residence, skip lines 7 and 8 and enter zero on line 9; you do not have to recapture the credit.)	6	
7 Balance. (Subtract line 6 from line 5.)	7	
8 Divide amount on line 7 by amount on line 5	8	
9 Credit you must recapture. (Multiply amount on line 4 by the figure on line 8.) Enter this amount on Form 1040, line 36 and check "Form 5405" box.	9	

Instructions

A. Purpose of This Form.—If you received a credit for buying or building a new residence and then sold or disposed of it within 36 months, you may have to repay the credit by adding it back to your Federal income tax. If so, fill in this form and attach it to your Form 1040.

The 36-month period begins the day after you got legal title or possession under a purchase contract. If you built the residence yourself, the period begins on the date when you first occupied it as your principal residence.

There are some exceptions. You do not have to repay the credit if you disposed of the residence under any of the following conditions:

- (1) Because of the death of anyone who has a legal or equitable interest in the property.
- (2) After complete or substantial destruction by a casualty such as a fire, storm, or earthquake.
- (3) After an involuntary conversion such as a condemnation.
- (4) In a divorce settlement or legal separation proceeding if one spouse keeps it as a principal residence.

You also do not have to repay the credit (or you have to repay only part of it) if you buy or build a replacement residence that meets the tests explained in Instruction B.

B. Replacement Residence.—If you buy or build a new residence to replace the one on which you received the credit, you may not have to repay any of the credit, or you may have to repay only a part of it. To qualify, the replacement residence must be new, its original use must begin with you, and you must buy or begin building it within 18 months after the sale of the old one. If you build your own replacement residence, you have 24 months to construct it. If you are in the U.S. Armed Forces or outside the U.S. after the date of sale, see Form 2119 instructions for a longer holding period.

The amount of credit you must repay, if any, depends upon the cost of the replacement residence.

(1) If the replacement residence cost the same or more than what you sold the original one for, you do not have to repay the credit. For example, on August 4, 1975, you bought a new house for \$40,000. You qualified for the new home purchase credit and claimed \$2,000 credit on your 1975 income tax return. On June 10, 1978, you sold the house for an adjusted sales price of \$50,000. On June 16, 1979, you bought a new house for \$60,000. Since the replacement house cost more than what you sold the original house for, you do not have to repay any of the credit you received.

(2) If the replacement residence cost less than what you sold the original one for, you must repay part of the credit.

Add to your tax the part of the credit that is proportionate to the part of the sales price of the original residence that you did not reinvest in the replacement residence. For example, if you sold the original house in the example above for \$50,000 and bought a new house for \$40,000, you must repay part of the credit. Figure this amount in the following way:

(a) Figure the difference between the adjusted sales price of the original house and the cost of the new house. (\$50,000 - \$40,000 = \$10,000.)

(b) Divide this amount by the sales price of the original house. (\$10,000 ÷ \$50,000 = 0.20.)

(c) Multiply your credit by the figure you get in step (b). (\$2,000 × 0.20 = \$400.)

This is the amount (\$400) that you must add to your tax on your 1979 tax return.

C. When to Repay the Credit.—If you must repay all the credit because you did not replace your original residence with a new one within the 18-month replacement period (24-month period if you build the residence yourself), add it to your tax in the tax year in which your replacement period ends.

If you must repay part of the credit because your replacement residence cost less than the sales price of the original residence, add it to your tax in the tax year following the year you dispose of the original residence.