

Instructions for Form 5405

(Rev. December 2014)



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 www.irs.gov/form5405.

Reminder

Homes purchased after 2008. If you purchased your home after 2008, and you owned it and used it as your main home for at least 36 months beginning on the purchase date, you do not have to repay any of the credit or file Form 5405.

Purpose of Form

Use Form 5405 to do the following:

- Notify the IRS that the home for which you claimed the credit was disposed of or ceased to be your main home in 2014. Complete Part I and, if applicable, Parts II and III.
- Figure the amount of the credit you must repay with your 2014 tax return. Complete Part II and, if applicable, Part III.

Who Must File

You must file Form 5405 if you meet either of the following conditions.

- You disposed of your home or you ceased using the home as your main home in 2014. (**Note.** This condition does not apply if you purchased the home after 2008 and you owned and used it as your main home for at least 36 months beginning on the purchase date.)
- You are repaying the credit because you purchased your home after 2008, the home was destroyed or you sold it through condemnation or under threat of condemnation in 2012, and you did not purchase a new home within 2 years of the event.

In all other cases, you are not required to file Form 5405. Instead, enter the repayment on Form 1040, line 60b, or Form 1040NR, line 59b, whichever applies. For example, you are not 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 it and used it as your main home during all of 2014.

Repaying the Credit (for Purchases After 2008)

If you purchased the home after 2008, and you owned it and used it as your main home for at least 36 months beginning on the purchase date, you do not have to repay any of the credit or file Form 5405.



For 2008 purchases, see [Part II. Repayment of the Credit](#), later.

You generally must repay the credit if, after the year for which you claimed the credit, you dispose of the home or it

ceases to be your main home during the 36-month period beginning on the purchase date. This includes situations where you sell the home (including through foreclosure), you convert the entire home to business or rental use, the home is destroyed or condemned, or you dispose of the home under threat of condemnation.



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.

You repay the credit by including it as an increase in tax on the return for the year you dispose of the home or it ceases to be your main home. However, if the home is destroyed or condemned, or you dispose of the home under threat of condemnation, and you do not acquire a new home within 2 years of the event, you must repay the entire repayment amount with the return for the year in which the 2-year period ends.

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.

Exceptions. The following are exceptions to the repayment rule.

- If you sell the home to someone who is **not** related to you, the repayment in the year of sale is limited to the amount of gain on the sale as determined in Part III of Form 5405. The amount of the credit in excess of the gain does not have to be repaid. (See [Related persons](#), later.)
- If the home is destroyed or you sell the home through condemnation or under threat of condemnation, you do not have to repay the credit if you purchase a new main home within 2 years of the event and you own and use it as your main home during the remainder of the 36-month period. Under this exception, you must purchase a new main home even if the 2-year period ends after the end of the 36-month period. Also, there is no holding period for the new main home if you purchase it after the end of the 36-month period.
- If the home is destroyed or you sell the home through condemnation or under threat of condemnation to someone who is not related to you and you do not 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 does not have to be repaid. (See [Related persons](#), later.) Under this exception, you must make a repayment (limited to the gain) even if the 2-year period ends after the end of the 36-month period.
- If the home is transferred to a spouse (or ex-spouse as part of a divorce settlement), the spouse who receives the home is responsible for repaying the credit if, during the 36-month period beginning on the purchase date, he or she disposes of the home or it ceases to be his or her main home and none of the other exceptions apply.
- Members of the [uniformed services](#) or [Foreign Service](#) and [employees of the intelligence community](#) (defined later), and

spouses of such individuals, do not have to repay the credit if they sell the home or the home ceases to be their main home because they received Government orders to serve on qualified official extended duty (see the instructions for [line 2](#) below).

- If you die, repayment of the credit is not required. If you claimed the credit on a joint return and then you die, your surviving spouse would be required to repay his or her half of the credit if, during the 36-month period beginning on the purchase date, he or she disposes of the home or it ceases to be his or her main home and 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 *Nondeductible 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



If you purchased the home after 2008, and you owned it and used it as your main home for at least 36 months beginning on the purchase date, stop here. You do not have to repay any of the credit or file Form 5405.

Complete Part I if you claimed the first-time homebuyer credit on your original or amended 2008 or later return and you disposed of the home or it ceased to be your main home in 2014. 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 2014.

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.

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 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) do not 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 Government quarters under 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 is **not** related to you, complete Part III to figure the gain or (loss) on the sale. (The person is not related to you if he or she does not meet the definition under [Related persons](#), earlier.)

Line 3d. See the [Tip](#) on page 1 for information about converting your entire home to business or rental use.

Do not 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. Do not file Form 5405 for this conversion. If you purchased your home in 2008, enter your

annual repayment on your 2014 Form 1040, line 60b, or Form 1040NR, line 59b, whichever applies.

Example 1. You claimed the credit for a home you purchased in March 2011. In January 2014, 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 2014. You do not have to repay any of the credit with your 2014 return or file Form 5405.

Example 2. The facts are the same as in [Example 1](#), except that you purchased the home in 2008. You are required to repay at least 1/15 of the credit with your 2014 return. You do not have to file Form 5405. Instead, enter the repayment on your 2014 Form 1040, line 60b, or Form 1040NR, line 59b, whichever applies.

Example 3. You claimed the credit for a home you purchased in March 2011 when you were a member of the uniformed services. You retired from the uniformed services in 2013. In January 2014, you moved out of the home and converted it to rental property. You must check the box on line 3d and complete Part II to figure the amount of credit you have to repay with your 2014 return.

Example 4. The facts are the same as in [Example 3](#) except that you purchased the home in 2008. 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 2014 tax return.

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.

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 is not 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 do not have a gain, you do not have to repay any of the credit.** Check the box on line 3g if you do not 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, the following rules generally apply.

- For homes purchased in 2008, you 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 2014 if the event was not a sale to a related person.
- For homes purchased in 2009 or a later year, you do not have to repay the credit if you acquire a new main home within 2 years of the event and you own and use it as your main home during the remainder of the 36-month period.

If you do not acquire a new home within the 2-year period, the following rules generally apply.

- If you purchased the home in 2008 and the event occurred in 2012, you generally must repay the balance of the credit in full with your 2014 return. You do not have to file Form 5405. Instead, enter the repayment on your 2014 Form 1040, line 60b, or Form 1040NR, line 59b, whichever applies.

- If you purchased the home in 2008 and the event occurred after 2012, 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.

- If you purchased the home in 2009 (or a later year), you must generally include the credit as an increase in tax on the tax return for the year in which the 2-year period ends. For example, if the 2-year period ended in 2014, complete Part II to figure the amount you have to repay with your 2014 return.

Line 3g. If you do not have a gain, you do not 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 did not 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 2014 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 2014 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 did not dispose of the home and the home did not cease to be your main home, **do not** 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 are not filing a joint return with the deceased taxpayer for 2014.

Part II. Repayment of the Credit

If you purchased the home in 2008 and you owned it and used it as your main home during all of 2014, you must continue repaying the credit with your 2014 tax return. You do not have to file Form 5405. Instead, enter the repayment on your 2014 Form 1040, line 60b, or Form 1040NR, line 59b, whichever applies.

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 generally must repay the entire credit (or the balance of the unpaid credit in the case of a 2008 purchase) with your 2014 tax return. An exception applies if your home was destroyed or condemned, or you disposed of the home under threat of condemnation, and you did not 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). For other exceptions see [Exceptions](#), earlier.

 **TIP** If you and your spouse claimed the credit on a joint return, 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.

Line 4. If you claimed the credit on a joint return but your spouse died, enter one-half of the credit you claimed. The

remaining half (that is, your spouse's half) does not 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 purchased in 2008 that was destroyed or that you sold through condemnation or under threat of condemnation. Also enter the credit you claimed for a home purchased after 2008 that was destroyed or that you sold through condemnation or under threat of condemnation in 2012 if you did not acquire a new home within 2 years of the event.

Line 6. If you checked the box on line 3f and the event was not a sale to a [related person](#) (defined on page 2), go to line 7.

If you checked the box on line 3f or 3g and the event was a sale to a [related person](#) (defined on page 2), 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, you purchased your home in 2008, and the event was not a sale to a [related person](#) (defined on page 2).
- You checked the box on line 3f, you purchased your home after 2008, the event occurred in 2012, and the event was not a sale to a [related person](#) (defined on page 2).

If none of the above conditions apply, leave line 7 blank.

Line 8. The amount you enter on line 8 depends on when you purchased your home.

Homes purchased in 2009 or a later year. Enter the smaller of line 6 or line 7 on line 8 if you meet either of the following conditions.

- You checked the box on line 3a.
- You checked the box on line 3f for an event that occurred in 2012, you did not acquire a new home within 2 years of the event, and the disposition was not a sale to a [related person](#) (defined on page 2).

Enter the amount from line 6 on line 8 if you meet either of the following conditions.

- You checked the box on line 3c or 3d.
- You checked the box on line 3f or 3g for an event that occurred in 2012, you did not acquire a new home within 2 years of the event, and the disposition was a sale to a [related person](#) (defined on page 2).

Homes purchased in 2008.

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 3g, the following rules apply.

a. If you checked the box on line 3f for an event that occurred in 2014 and you did not sell the home to a [related person](#) (defined on page 2), your repayment is limited to the gain. If line 7 is less than line 6, divide line 7 by 11.0. Otherwise, divide line 4 by 15.0. This is the minimum amount you must pay with your 2014 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 3g for an event that occurred in 2014 and you sold the home to a [related person](#) (defined on page 2), divide line 4 by 15.0. This is the minimum amount you must pay with your 2014 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 do not repay your credit earlier, you continue to repay the amount described above with every tax return for the next 10 years (2015 through 2024). But see (d) next for an exception.

d. If you do not acquire a new main home within 2 years of the event, (c) above does not 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. If you purchased your home in 2008, you must repay at least 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 \$3,200 with your 2010 tax return, you made the required minimum payment of \$500 with your 2011, 2012, 2013, and 2014 tax returns, and you chose to repay \$2,000 with your 2015 tax return. The minimum repayment with your 2016 tax return is \$300 (the balance of unpaid installments)—not \$500.

Part III. Form 5405 Gain or (Loss) Worksheet

Line 12. Enter the amount from line 6c of the How to Figure Your Gain or Loss Worksheet in Publication 523.