



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

July 16, 2009

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CC:ITA:B04
CONEX-131042-09

UIL: 36.00-00

The Honorable Lamar Alexander
United States Senate
Washington, DC 20510

Attention:

Dear Senator Alexander:

This letter responds to your inquiry, dated June 17, 2009, submitted on behalf of your constituent, . He requested information about the first-time homebuyer credit.

As you requested, I responded directly to . I am enclosing a copy of my response. I hope this information is helpful. If you have any further questions, please call me or at .

Sincerely,

Michael J. Montemurro
Chief, Branch 4
Office of Associate Chief Counsel
(Income Tax and Accounting)

Enclosure



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Dear _____ :

I am responding to your June 11, 2009, letter to Senator Lamar Alexander about the first-time homebuyer credit. You intend to purchase a principal residence in 2009 and claim the first-time homebuyer credit on an amended 2008 federal income tax return. You asked whether you will receive a tax refund for the first-time homebuyer credit if you paid only in \$29 in tax on your original 2008 federal income tax return.

You are eligible to claim the first-time homebuyer credit if you (and your spouse, if you are married) have not owned an interest in a principal residence for three years ending on the date you purchase your new residence. To qualify for the credit, you must purchase the residence before December 1, 2009.

The credit equals ten percent of the purchase price of the residence, up to a maximum credit of \$8,000. The allowable credit is reduced if your modified adjusted gross income (MAGI) exceeds \$75,000 (\$150,000 if you file a joint return). The allowable credit is reduced to \$0 if your MAGI is \$95,000 or greater (\$170,000 if you file a joint return). You may claim the credit on a 2008 or 2009 federal income tax return, including an amended return.

The first-time homebuyer credit is refundable. Thus, you will receive a refund even if the credit exceeds your tax liability. To claim the credit for the 2008 tax year, you must attach a completed Form 5405, First-time Homebuyer Credit, to Form 1040X, Amended U.S. Individual Income Tax Return. If the allowable credit is more than the tax due shown on the amended return, you will receive a refund for the excess of the allowable credit over the tax due. If you do not have any tax due shown on the amended return, you will receive a refund for the full amount of the allowable credit.

I hope this information is helpful. If you have any questions, please call
, at .

Sincerely,

Michael J. Montemurro
Chief, Branch 4
Office of Associate Chief Counsel
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CC: The Honorable Lamar Alexander
Attention: