

**Office of Chief Counsel
Internal Revenue Service
memorandum**

CC:DOM:IT&A:1
RMWeber - SPR-101508-98

date: FEB 13 1998
to: National Director, Tax Forms & Publications T:FP
from: Assistant Chief Counsel (Income Tax & Accounting)
CC:DOM:ITA

subject: Modified Adjusted Gross Income Limit Application to
Carryforward of D.C. First-time Homebuyer Credit

This responds to your January 16, 1998, memorandum regarding whether the modified adjusted gross income limitation set forth at § 1400C(b)(1) applies to tax years in which § 1400C(d) permits the taxpayer to carry forward credit amounts in excess of the limitation imposed by § 26(a).

For the reasons set forth below, we conclude that the § 1400C(b)(1) modified adjusted gross income limitation does not apply to any carryforward years.

Section 1400C(a) permits eligible taxpayers to claim a maximum credit of \$5,000. However, § 1400C(b)(1) reduces the amount of this maximum credit for taxpayers whose modified adjusted gross income comes within the range described. Thus, in our view, § 1400C(b)(1) operates as a one-time initial limitation on the total credit amount that taxpayers are entitled to claim.

Section 1400C(d), on the other hand, limits the amount of the credit that taxpayers are permitted to claim in any single tax year. Regardless of the amount of the total allowable credit established by §§ 1400C(a) and (b)(1), § 1400C(d) permits taxpayers who come within the scope of § 26(a) to claim only a portion of the credit in a particular tax year; amounts in excess of the § 26(a) limit must be carried forward.

If you have additional questions, please contact Rose Weber

PMTA:00188

of this office at 622-4910.

JODY J. BREWSTER

BY _____
John M. Coulter
Senior Technician
Reviewer, Branch 1
