

First-Time Homebuyer Credit

Updated Nov. 17, 2009, to add more information on the new legislation

New Legislation

New legislation, the Worker, Homeownership and Business Assistance Act of 2009, which was signed into law on Nov. 6, 2009, extends and expands the first-time homebuyer credit allowed by previous Acts. The new law:

- Extends deadlines for purchasing and closing on a home.
- Authorizes the credit for long-time homeowners buying a replacement principal residence.
- Raises the income limitations for homeowners claiming the credit.

Under the new law, an eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before April 30, 2010 and close on the home by June 30, 2010. For qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 return.

For the first time, long-time homeowners who buy a replacement principal residence may also claim a homebuyer credit of up to \$6,500 (up to \$3,250 for a married individual filing separately). They must have lived in the same principal residence for any five-consecutive year period during the eight-year period that ended on the date the replacement home is purchased.

People with higher incomes can now qualify for the credit. The new law raises the income limits for homes purchased after Nov. 6, 2009. The credit phases out for individual taxpayers with modified adjusted gross income (MAGI) between \$125,000 and \$145,000 or between \$225,000 and \$245,000 for joint filers. The existing MAGI phase-outs of \$75,000 to \$95,000 or \$150,000 to \$170,000 for joint filers still apply to purchases on or before Nov. 6, 2009.

Several new restrictions apply to homes purchased after Nov. 6, 2009.

- Purchasers must attach a properly executed settlement statement to their return.
- No credit is available if the purchase price of the home exceeds \$800,000.
- The purchaser must be at least 18 years old on the date of purchase. For a married couple, only one spouse must meet this age requirement.
- A dependent is not eligible for the credit.
- The new law gives the IRS broader authority to deny first-time homebuyer credit claims, without having to first audit a taxpayer's return. Known as math error authority, this authority applies, retroactively, to credits claimed on original and amended 2008 returns, as well as to claims yet to be filed.

Additionally, there are new benefits for members of the military and certain other federal employees:

- Members of the uniformed services, members of the Foreign Service and employees of the intelligence community serving outside the U.S. have an extra year to buy a principal residence in the U.S. and qualify for the credit.
- In many cases, the credit repayment (recapture) requirement is waived for members of the uniformed services, members of the Foreign Service and employees of the intelligence community.

More information on these [new benefits](#) for the military, Foreign Service and intelligence community serving outside the U.S. is available.

General Information

Homebuyers who purchased a home in 2008, 2009 or 2010 may be able to take advantage of the first-time homebuyer credit. The credit:

- Applies only to homes used as a taxpayer's principal residence.
- Reduces a taxpayer's tax bill or increases his or her refund, dollar for dollar.
- Is fully refundable, meaning the credit will be paid out to eligible taxpayers, even if they owe no tax or the credit is more than the tax owed.

The credit is claimed using [Form 5405](#), which you file with your original or amended tax return.

For 2008 Home Purchases

The Housing and Economic Recovery Act of 2008 established a tax credit for first-time homebuyers that can be worth up to \$7,500. [For homes purchased in 2008, the credit is similar to a no-interest loan](#) and must be repaid in 15 equal, annual installments beginning with the 2010 income tax year.

For 2009 Home Purchases

The American Recovery and Reinvestment Act of 2009 expanded the first-time homebuyer credit by [increasing the credit amount to \\$8,000](#) for purchases made in 2009 before Dec. 1. However, the new Worker, Homeownership and Business Assistance Act of 2009 has extended the deadline. Now, taxpayers who have a binding contract to purchase a home before May 1, 2010, are eligible for the credit. Buyers must close on the home before July 1, 2010. *[Added Nov. 12, 2009]*

For home purchased in 2009, the credit does not have to be paid back unless the home ceases to be the taxpayer's main residence within a three-year period following the purchase.

First-time homebuyers who purchase a home in 2009 can claim the credit on either a 2008 tax return, due April 15

2009, or a 2009 tax return, due April 15, 2010. The credit may not be claimed before the closing date. But, if the closing occurs after April 15, 2009, a taxpayer can still claim it on a 2008 tax return by requesting an extension of time to file or by filing an amended return. [News release 2009-27 has more information on these options.](#)

Questions and Answers

More information is available in the [question and answer section](#).

Related Items

- [IR-2009-83](#), First-Time Homebuyer Credit Provides Tax Benefits to 1.4 Million Families to Date
- [The American Recovery and Reinvestment Act of 2009: Information Center](#)

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