

American Recovery and Reinvestment Act of 2009

First-Time Homebuyer Credit – 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 after December 31, 2008 and before December 1, 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.** The credit phases out for taxpayers with adjusted gross income in excess of \$75,000 (\$150,000 in the case of a joint return).

For more information on the First-Time Homebuyer Credit, please go to www.irs.gov, Resources include Q & A's about the credit, such as those shown below:

Q. How much is the credit?

A. The credit is 10 percent of the purchase price of the home, with a maximum available credit of \$8,000 if you purchased your home in 2009, for either a single taxpayer or a married couple filing a joint return, but only half of that amount for married persons filing separate returns. The full credit is available for homes costing 80,000 if purchased after Dec. 31, 2008, and before Dec. 1, 2009.

Q. Who is considered to be a first-time homebuyer?

A. Taxpayers who have not owned another principal residence at any time during the three years prior to the date of purchase.

Q. I plan to build a home and occupy it in 2009. Can I claim the first-time homebuyer credit now and use the funds toward the down payment or other ongoing construction costs?

A. No. To qualify for the first time home buyer credit, the residence must be purchased. By statute, a residence which is constructed by the taxpayer is treated as purchased on the date the taxpayer first occupies the residence.

Q. If I purchase a home in June 2009, and have already filed my 2008 tax return, can I amend my 2008 return or will I have to claim it on my 2009 return?

A. You can either file an amended return to claim it on your 2008 return or claim it on your 2009 return.

Q. If I claim the first-time homebuyer credit for a purchase in 2009 and stop using the property as my principal residence before the 36 month period expires after I purchase, how is the credit repaid and how long would I have to repay it?

A. If, within 36 months of the date of purchase, the property is no longer used as your principal residence, you are required to repay the credit. Repayment of the full amount of the credit is due at that time the income tax return for the year the home ceased to be your principal residence is due. The full amount of the credit is reflected as additional tax on that year's tax return. Form 5405 and its instructions will be revised for tax year 2009 to include information about repayment of the credit.

If you would like to order flyers about the First-Time Homebuyer Credit to give to your customers, please send an email to kris.d.ashley@irs.gov.