

# Frequently Asked Questions

## About the First-Time Home Buyer Tax Credit

The Worker, Homeownership, and Business Assistance Act of 2009 has extended the tax credit of up to \$8,000 for qualified first-time home buyers purchasing a principal residence. The tax credit now applies to sales occurring on or after January 1, 2009 and on or before April 30, 2010. However, in cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.

For sales occurring after November 6, 2009, the Act establishes income limits of \$125,000 for single taxpayers and \$225,000 for married couples filing joint returns.

The income limits for sales occurring on or after January 1, 2009 and on or before November 6, 2009, are \$75,000 for single taxpayers and \$150,000 for married taxpayers filing joint returns.

The following questions and answers are from [www.federalhousingtaxcredit.com](http://www.federalhousingtaxcredit.com) and provide basic information about the tax credit. If you have more specific questions, we strongly encourage you to consult a qualified tax advisor or legal professional about your unique situation.

<b>Who is eligible to claim the \$8,000 tax credit?</b>	First-time home buyers purchasing any kind of home—new or resale—are eligible for the tax credit. To qualify for the tax credit, a home purchase must occur on or after January 1, 2009 and on or before April 30, 2010.
<b>What is the definition of a first-time home buyer?</b>	The law defines “first-time home buyer” as a buyer who has not owned a principal residence during the three-year period prior to the purchase. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse.
<b>Are there any income limits for claiming the tax credit?</b>	Yes. For sales occurring after November 6, 2009, the income limit for single taxpayers is \$125,000; the limit is \$225,000 for married taxpayers filing a joint return. The tax credit amount is reduced for buyers with a modified adjusted gross income (MAGI) of more than \$125,000 for single taxpayers and \$225,000 for married taxpayers filing a joint return. The phaseout range for the tax credit program is equal to \$20,000. That is, the tax credit amount is reduced to zero for taxpayers with MAGI of more than \$145,000 (single) or \$245,000 (married) and is reduced proportionally for taxpayers with MAGIs between these amounts.
<b>How is this home buyer tax credit different from the tax credit that Congress enacted in early 2009?</b>	The tax credit's income limits were increased, the documentation requirements were tightened, and the program's deadlines were extended.
<b>How do I claim the tax credit? Do I need to complete a form or application? Are there documentation requirements?</b>	You claim the tax credit on your federal income tax return. Specifically, home buyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on line 67 of the 1040 income tax form for 2009 returns (line 69 of the 1040 income tax form for 2008 returns). No other applications are required, and no pre-approval is necessary.
<b>What types of homes will qualify for the tax credit?</b>	Any home that will be used as a principal residence will qualify for the credit, provided the home is purchased for a price less than or equal to \$800,000. This includes single-family detached homes, attached homes like townhouses and condominiums, manufactured homes (also known as mobile homes) and houseboats.
<b>I read that the tax credit is “refundable.” What does that mean?</b>	The fact that the credit is refundable means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically this involves the government sending the taxpayer a check for a portion or even all of the amount of the refundable tax credit.
<b>HUD is now allowing “monetization” of the tax credit. What does that mean?</b>	It means that HUD allows buyers using FHA-insured mortgages to apply their anticipated tax credit toward their home purchase immediately rather than waiting until they file their 2009 or 2010 income taxes to receive a refund. These funds may be used for certain downpayment and closing cost expenses.  Under HUD's guidelines, non-profits and FHA-approved lenders are allowed to give home buyers short-term loans of up to \$8,000. The guidelines also allow government agencies, such as state housing finance agencies, to facilitate home sales by providing longer term loans secured by second mortgages.

Please see [www.FederalHousingTaxCredit.com](http://www.FederalHousingTaxCredit.com) for more detailed answers and more FAQ.

Source: [www.FederalHousingTaxCredit.com](http://www.FederalHousingTaxCredit.com)

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