

Important Information About The First-Time Homebuyer Credit

The Worker, Homeownership and Business Assistance Act of 2009 was signed into law November 6, 2009.

You may still be able to claim the First-Time Homebuyer Credit for qualifying home purchases in 2010. This new law extends and expands the first-time homebuyer credit allowed by previous legislation. Here are key points the IRS wants you to know about the expanded credit and the qualifications you must meet in order to qualify for it. Legislation enacted in July 2010 extended the closing deadline from June 30 to September 30, 2010, for eligible homebuyers.

1. You must buy – or enter into a binding contract to buy a principal residence – on or before April 30, 2010. If you enter into a binding contract by April 30, 2010 you must close on the home on or before September 30, 2010.
2. For qualifying purchases in 2010, you will have the option of claiming the credit on either your 2009 or 2010 return.
3. A long-time resident of the same home can now qualify for a reduced credit. You can qualify for the credit if you've lived in the same principal residence for any five-consecutive year period during the eight-year period that ended on the date the new home is purchased and the settlement date is after November 6, 2009.
4. The maximum credit for long-time residents is \$6,500. However, married individuals filing separately are limited to \$3,250. The maximum credit for first-time homeowners is \$8,000 (up to \$4,000 for married filing separately).
5. The new law raises the income limits for homes purchased after November 6, 2009. The full credit is available to taxpayers with modified adjusted gross incomes (MAGI) up to \$125,000, or \$225,000 for joint filers. The credit is reduced if MAGI is more than \$125,000 (\$225,000 for joint filers) and completely eliminated if MAGI is \$145,000 (\$245,000 for joint filers) or more.
6. Use the December 2010 revision of Form 5405 to claim this credit for homes purchased in 2010. Refer to the December 2010 revision of the Instructions to Form 5405 for more details.
7. Homebuyers who claim the credit on their 2010 tax return will not be able to file electronically but instead will need to file a paper return. For homes purchased in 2010 there is an option to take the credit on an original or amended 2009 tax return.
8. The new law includes documentation requirements. See revised Form 5405 and Instructions for details.
9. No credit is available if the purchase price of the home exceeds \$800,000.
10. 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.
11. A dependent is not eligible to claim the credit.

IRS encourages all eligible homebuyers to take advantage of the First-Time Homebuyer Credit but at the same time cautions taxpayers to avoid schemes that help ineligible people file false claims for the credit.

Visit www.irs.gov/recovery for more details on the First-Time Homebuyer Credit. Forms are available on www.irs.gov or by calling the IRS at 1-800-829-3676.



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