

FAQs for the First Time Home Buyer Credit in 2009

Here are answers from IRS officials and tax advisers to some questions about the credit

Excerpts of this document were originally published by Tom Herman, The Wall Street Journal – April 10, 2009

Q: Who can claim the credit?

A: In general, the IRS says you may be eligible if you bought your main home, located in the U.S., after April 8, 2008, and before Dec. 1, 2009 — and if you (and your spouse, if you're married) haven't owned any other main home during the three-year period ending on the date of purchase. That means you might be eligible even if you owned a home for many years before that period. However, there are numerous other qualifications.

Q: How much is the credit?

A: That depends on when you bought the home and other factors, such as your income and the home's price.

If you bought during the 2008 period and qualify for the credit, the maximum credit is generally \$7,500. But it's only half that amount if you're married and filing separately from your spouse. Even though it's called a credit, it's really an interest-free loan. You generally have to repay it over a 15-year period, without interest, in 15 equal installments, the IRS says. (There are several exceptions to this repayment rule. We warned you this was tricky.)

The rules are more generous if you buy a new home during the 2009 period and meet all the qualifications. In that case, the maximum amount generally is \$8,000, or half that amount if you're married and filing separately. More important, you don't have to repay the credit at all unless that home "ceases to be your main home within the 36-month period beginning on the purchase date," the IRS says.

Initially, there was some confusion about whether the \$8,000 maximum credit would apply if someone bought a home in 2009 and chose to claim the credit on his return for 2008. It's now clear that the \$8,000 maximum limit does indeed apply, says Mark Luscombe, principal tax analyst at CCH, a Wolters Kluwer business. Naturally, though, "this doesn't help people who actually bought homes in the 2008 qualifying period and who are limited to a \$7,500 credit that must be repaid," he says.

- Additionally, the credit generally is limited to the amounts mentioned above — or 10% of the home's purchase price, whichever is less. For example, if you bought a new home this year for \$70,000, the maximum amount of the credit would be limited to 10% of that amount, or \$7,000.

Q: How do the income limits work?

A: You may be eligible for the full amount of the credit if your adjusted gross income, with certain modifications, is \$75,000 or less — or \$150,000 or less if married and filing jointly. However, the credit begins to disappear, or "phase out," if your income exceeds those amounts. You can't claim the credit at all if your income is \$95,000 or more, or \$170,000 or more if married and filing jointly, the IRS says.

Q: What if I built a new home? How does that work?

A: You are considered to have purchased it "on the date you first occupied it," the IRS says.

Q: I own more than one home. How do I figure out which is my "main" home? And does it have to be a house?

A: The IRS says your main home is "the one you live in most of the time." No, it doesn't have to be a house. It can be "a house, houseboat, house trailer, cooperative apartment, condominium or other type of residence."

Q: Are there are other qualifications?

A: Yes. You can't claim it if your home is located outside the U.S. You also aren't eligible if you're a nonresident alien, if you inherited the home or got it as a gift, or if you acquired it from a "related person," such as your spouse, parents or grandparents.

Q: Will the credit help me if I don't owe any tax?

A: Yes. The credit "may give you a refund" even if you owe no tax, the IRS says.

Q: What form do I use?

A: Form 5405. The IRS recently revised it and posted it on [its Web site](#), along with instructions. Dean Patterson, an IRS spokesman, says "programming is being done to electronically process Form 5405" to claim the \$8,000 credit for homes bought in 2009. The IRS was "able to process these returns electronically beginning March 30" this year, he says.

Q: Where do I put the credit on my Form 1040?

A: Line 69.

Q: I've already filed my return for 2008. Can I still claim the credit? If so, how?

A: Yes. File what's known as an "amended" return. Use Form 1040X and attach Form 5405.

Q: If I buy this year, should I claim the new credit on my 2008 or 2009 tax return?

A: That can be tricky, and you may need to consult a tax pro. In general, most people who buy this year and qualify for the new credit probably will want to take it on their tax return for 2008, Hill says. "They'll get their money more quickly," she says.

But some people might be better off claiming the credit on their 2009 returns. These would include eligible homebuyers who buy this year, whose financial circumstances changed during 2009 and who might qualify for a larger credit on their returns for 2009 than the prior year. An example would be someone whose income was too high to get any of the credit for 2008 but who recently lost his job and thus would be eligible for the full credit on his 2009 return, to be filed next year.