



## First-Time Homebuyer Credit Questions and Answers: Basic Information

### Q. What is the credit?

A. The first-time homebuyer credit is a new tax credit included in the recently enacted Housing and Economic Recovery Act of 2008. For homes purchased in 2008, the credit operates like an interest-free loan because it must be repaid over a 15-year period.

The credit was expanded in 2009 for homes purchased in 2009, increasing the amount of the credit and eliminating the requirement to repay the credit, unless the home ceases to be your principal residence within the 36-month period beginning on the purchase date.

### 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 \$7,500 (\$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 \$75,000 or more (\$80,000 if purchased after Dec. 31, 2008, and before Dec. 1, 2009).

### Q. Which home purchases qualify for the first-time homebuyer credit?

A. Any home purchased as the taxpayer's principal residence and located in the United States qualifies. You must buy the home after April 8, 2008, and before Dec. 1, 2009, to qualify for the credit. For a home that you construct, the purchase date is considered to be the first date you occupy the home.

Taxpayers (including spouse, if married) who owned a principal residence at any time during the three years prior to the date of purchase are not eligible for the credit. This means that you can qualify for the credit if you (and your spouse, if married) have not owned a home in the three years prior to a purchase. If you make an eligible purchase in 2008, you claim the first-time homebuyer credit on your 2008 tax return. For an eligible purchase in 2009, you can choose to claim the credit on either your 2008 or 2009 income tax return.

### Q. Can I apply for the credit if I bought a vacation home or rental property?

A. No. Vacation homes and rental property do not qualify for this credit.

### 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. When do I have to buy a new home to get the credit?

A. The home must be purchased after April 8, 2008, and before Dec. 1, 2009, in order to obtain the credit. For a home you construct, the purchase date is considered to be the date you first occupy the home.

### Q. How do I apply for the credit?

A. The credit is claimed on new IRS [Form 5405](#), First-Time Homebuyer Credit, and filed with your 2008 or 2009 federal income tax return.

### Q. Are there income limits?

A. Yes. The credit is reduced or eliminated for higher-income taxpayers. The credit is phased out based on your modified adjusted gross income (MAGI). For a married couple filing a joint return, the phase-out range is \$150,000 to \$170,000. For other taxpayers, the phase-out range is \$75,000 to \$95,000. This means that the full credit is available for married couples filing a joint return whose MAGI is \$150,000 or less and for other taxpayers whose MAGI is \$75,000 or less.

### Q. Does a taxpayer qualify for the first-time homebuyer credit upon the signing of a contract for deed, since normally the deeds are signed and executed but held in escrow until the provisions of the contract have been met?

A. Generally, no. A taxpayer is not eligible for the first-time homebuyer credit unless there is a completed sale. Under the facts presented, the contract for deed may not be a completed sale because all of the provisions of the contract have not been met. However, the determination of whether there is a completed sale would depend on the facts and circumstance of the particular case and perhaps state law. (New 06/12/09)

### Q. I purchased a home that qualifies for the first-time homebuyer credit. I will be renting two of the bedrooms and reporting the rental income on Schedule E. Will I still qualify for the credit if I use the home as my principal residence?

A. Yes, if you meet all first-time homebuyer eligibility requirements. See [Form 5405](#), First-Time Homebuyer Credit, for more details.

### Q. If two unmarried people buy a house together, how do they determine how much each may take of the credit?

A. IRS [Notice 2009-12](#) provides guidance for allocating the first-time homebuyer credit between taxpayers who are not married.

### Q. I am a single co-owner of a home. How do I get this credit?

A. Depending on the year of purchase, you will claim the credit on either your 2008 or 2009 federal income tax return.

### Q. I don't owe taxes and/or my income is exempt from tax and I do not have a filing requirement. Do I qualify for the credit?

A. The credit is fully refundable and, if you qualify as a first-time homebuyer, having tax-exempt income will not preclude eligibility. Although there are maximum income limits for qualifying first-time homebuyers, there are no minimum income criteria. Thus, someone with no taxable income who qualifies as a first-time homebuyer may file for the sole purpose of claiming the credit for a refund.

### Q. Does the first-time homebuyer credit apply to homes located in the U.S. Territories?

A. No.

### Q. Would I be considered a first-time homebuyer if I owned a principle residence outside of the United States within the previous three years?

A. Yes. A taxpayer who owned a principal residence outside of the United States within the last three years is not disqualified from taking the credit for a purchase within the United States.

### Q. If qualified, are homebuyers required to claim the first-time homebuyer credit?

A. No.

### Q. Who cannot take the credit?

A. If any of the following describe you, you cannot take the credit, even if you buy a new home:

- Your income exceeds the phase-out range. This means joint filers with MAGI of \$170,000 and above and other taxpayers with MAGI of \$95,000 and above.
- You buy your home from a close relative. This includes your spouse, parent, grandparent, child or grandchild.
- You do not use the home as your principal residence.
- You sell your home before the end of the year.
- You are a nonresident alien.
- You are, or were, eligible to claim the District of Columbia first-time homebuyer credit for any taxable year. (This does not apply for a home purchased in 2009.)
- Your home financing comes from tax-exempt mortgage revenue bonds. (This does not apply for a home purchased in 2009.)
- You owned a principal residence at any time during the three years prior to the date of purchase of your new home. For example, if you bought a home on July 1, 2008, you cannot take the credit for that home if you owned, or had an ownership interest in, another principal residence at any time from July 2, 2005, through July 1, 2008.

**Q. Does previously inheriting a home and living in the inherited home automatically disqualify an individual as a first-time homebuyer with respect to a different home that is purchased within the prescribed 2008 and 2009 time frames?**

A. Yes, an ownership interest in a prior principal residence would preclude the taxpayer from being considered a first-time homebuyer. As long as the taxpayer owned and used the prior home as his principal residence, then he is not a first-time homebuyer. There is no exception for taxpayers who did not buy their prior residences. (05/06/09)

**Q. Is a step-relative considered a related party?**

A. Step-relatives are neither ancestors nor lineal descendants and are therefore not related persons for purposes of the first-time homebuyer credit. (05/06/09)

**Q. If I claim the first-time homebuyer credit in 2009 and stop using the property as my main home 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 the taxpayer's principal residence, the taxpayer is 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 the taxpayer's 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. (05/06/09)

**Q. If a person does not actually make the payments on a home that's their primary residence, but the deed and mortgage documents are in their name, can they be considered a first-time home buyer?**

A. Yes. If a taxpayer purchases a home to be used as a primary residence from an unrelated person and has not owned a home within the previous 36 months, the taxpayer is eligible for the first-time homebuyer credit regardless of who makes the mortgage payment. (05/06/09)

**Q. Do taxpayers affected by Hurricane Katrina or other disasters qualify as first-time homebuyers if their principal residence (i.e. main home) became uninhabitable more than three years ago and they have not formally disposed of the uninhabitable home or purchased or built a new home in the interim?**

A. A first-time homebuyer is an individual (and the individual's spouse, if married) who has not had an ownership interest in a principal residence (within the meaning of Section 121 of the Internal Revenue Code) during the three years before the date a new principal residence is purchased. Applying Section 121, a taxpayer can be a first-time homebuyer if the taxpayer has not owned and used a property as a principal residence at any time during the three years before the date of purchase of the new residence. Taxpayers affected by Hurricane Katrina who have owned but not used their property as a principal residence within the last three years may be eligible for the first-time homebuyer credit when they purchase a new principal residence. (05/07/09)

**Related Items:**

- First-Time Homebuyer Credit Questions and Answers: [Homes Purchased in 2008](#)
- First-Time Homebuyer Credit Questions and Answers: [Homes Purchased in 2009 Scenarios](#)
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