

FAQ—continued

Does the tax credit have to be paid back to the government? Only if the home is sold within 3 years of receiving the credit.

How do you claim the credit? On line 69 of Form 1040 enter the amount of the credit as determined by filling out Form 5405. The credit generally will be equal to 10% of the purchase price up to a maximum credit of \$8,000.

Is a single section in a community eligible? Yes

Where can I learn more? The National Association of Home Builders and the IRS have websites.

<http://www.federalhousingtaxcredit.com/faq1.php>

<http://www.irs.gov> keyword first time homebuyer



Disclaimer...

The information provided here is not intended, and should not be construed, to be legal, tax or investment advice. Before taking any action based on this information you are strongly encouraged to consult with a qualified legal, tax and/or investment professional to whom you have provided all pertinent facts and information as to your individual situation.

This pamphlet is intended for general information only and as such, it is provided with no guarantee as to its timeliness, completeness or accuracy. This information is based upon a new federal law. Laws can change at any time. You should consult a professional tax advisor to determine how the tax credit affects you.

The Wisconsin Housing Alliance is a non-profit trade association representing the factory built housing industry in Wisconsin.



301 N Broom Street
Madison, WI 53703
www.housingalliance.us

E-mail: info@housingalliance.us

First Time Homebuyer Tax Credit

Helping Homebuyers in Today's Market



Quick Reference Guide

New Tax Credit



A part of the Economic Stimulus Bill created an \$8,000 first time homebuyer's tax credit.

The Tax Credit is administered by the IRS and provides a refundable tax credit equal to 10% of the home's purchase price up to \$8,000. If the credit exceeds the taxpayer's tax liability, the taxpayer can receive a check for the difference.

This brochure highlights key provisions of the credit. The Wisconsin Housing Alliance recognizes that each homebuyer has specific tax circumstances and homebuyers should consult with a qualified tax advisor.



Frequently Asked Questions

What is the First Time Homebuyer Credit? A federal income tax credit of 10% of the purchase price of the home up to \$8,000.

What is the definition of a first time homebuyer? Generally, a buyer who has not owned a residence during the three-year period prior to the purchase.

Who is eligible to claim the credit? Qualified first time homebuyers purchasing any kind of home— new or resale.

What does "purchase" mean? "Purchase" means the day you first occupy the home.

What homes qualify? Any home purchased which is used as a principal residence—no second or vacation homes. The home may be a manufactured or modular home and may be on your land or leased land.

Are there income limits? Yes, Modified adjusted gross income of up to \$125,000 for a single or head of household buyer or \$250,000 for joint tax-filers.

What costs paid by buyers count toward calculating the "purchase price?" If you are building a new home the purchase price would include the home itself and the lot, development costs and any closing costs.

If my income is above the limit, do I still qualify for the credit? Possibly. A partial credit is available subject to phase-out limits. Complete IRS Form 5405 to determine the size of your credit.

For which tax year is the credit available?

You can claim the credit on the current year's tax return or the prior year's return.

Is the tax credit retroactive? Yes, it is effective for purchases on or after January 1, 2009.

Is there a deadline to get the credit? Yes, the home must be occupied by April 1, 2010 for new construction or purchased by that date with a closing before June 30, 2010.

I heard the credit is refundable. What does that mean? Refundable means that it can be claimed even if the taxpayer has little or no federal income to offset. If that is the case, the IRS will issue a check to the homebuyer for the difference between the tax due and the amount of the tax credit.

Do I have to apply for the credit? No other applications are required, and no pre-approval is necessary. However, you will want to be sure that you qualify for the credit under the income limits and repeat home buyer tests. Note that you cannot claim the credit on Form 5405 for an intended purchase for some future date; it must be a completed purchase. Home buyers must attach a copy of their HUD-1 settlement form (closing statement) to Form 5405 as proof of the completed home purchase or a completed sales agreement for a home on leased land.

Is there a limit on who I can buy from? You cannot purchase a home from other family members, your ancestors (parents, grandparents, etc.), your lineal descendants (children, grandchildren, etc.) or your spouse or spouse's family members.