

Part 1. Computing Federal Income Tax

Vol. 1F Credits

CHAPTER 1F:8 Other Tax Credits **

LexisNexis Tax Advisor -- Federal Topical § 1F:8.05

§ 1F:8.05 Credit for First-Time Homebuyers in the District of Columbia and Other First-Time Homebuyer's Credit

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[1] First-Time Homebuyer's Credit. *The Housing and Economic Recovery Act of 2008* enacted a first-time homebuyer's credit for U.S. homes purchased after April 8, 2008, and before July 1, 2009. For newly built homes, the purchase date is the first date the taxpayer lives in the home. The credit applies only to taxpayers who are first-time home buyers, or those who have not owned a home in the three years before the purchase.

The credit is 10 percent of the purchase price with a maximum credit of \$7,500 for either a single taxpayer or a married couple filing jointly; or \$3,750 for a married person filing separately.

The credit must be repaid. Repayment begins in the second tax year after the year the credit is claimed, and is included as a tax on the taxpayer's return.

The credit is phased out for married couples filing jointly whose adjusted gross income plus other amounts excluded from income is \$150,000. For other taxpayers, the phaseout range is \$75,000. Certain individuals are not eligible: those who buy the home from a relative; taxpayers who stop using the home as their principal residence; individuals who sell the home before the end of the year; non-resident aliens; taxpayers who are or were eligible for the D.C. first-time home buyer credit; and individuals who obtain home financing from tax-exempt mortgage bonds.

The *American Recovery and Reinvestment Act of 2009* [PL No 111-5] made several modifications to the credit. First, it extended the existing homebuyer credit for qualifying home purchases before December 1, 2009 [[IRC Section 36\(h\)](#)]. In addition, it increased the maximum credit amount to \$8,000 (\$4,000 for a married individual filing separately) [[IRC Section 36\(b\)](#)] and waived the recapture of the credit for qualifying home purchases after

December 31, 2008 and before December 1, 2009 [[IRC Section 36\(f\)\(4\)\(D\)](#)]. This waiver of recapture applies without regard to whether the taxpayer elects to treat the purchase in 2009 as occurring on December 31, 2008. If the taxpayer disposes of the home, or if the home ceases to be the principal residence of the taxpayer within 36 months from the date of purchase, the existing law rules for recapture apply [[IRC Section 36\(f\)\(4\)\(D\)](#)].

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The Worker, Homeownership, and Business Assistance Act of 2009 extends the \$8,000 first-time homebuyer tax credit through April 30, 2010, allowing purchasers under a binding contract an additional 60 days to close after that date. The Act also increases the income limits on the credit to \$125,000 for individuals, and \$225,000 for joint filers (prior law credit phased out for individuals with income starting at \$75,000, and for joint filers with income starting at \$150,000). The credit is available for the purchase of principal residences with a purchase price of up to \$800,000. Taxpayers must include documentation to prove that they purchased a home. The IRS is authorized to look at prior year returns to determine if a taxpayer is eligible for the credit.

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Existing homeowners. Additionally, the Act provides a \$6,500 credit to homebuyers who have lived in their current residence for five years or more out of the previous eight years.