



Worker Home Ownership & Business Assistance Act of 2009

Frequently Asked Questions

Q. Who is eligible for the home buyer tax credit?

A. First-time home buyers AND certain current homeowners.

- First-time home buyers are defined as those who have not had an ownership in a principal residence in the 3 years prior to the date the home sale closed, and who purchases a principal residence on or after 1/1/09 and before 6/30/10. Contracts to purchase must be in place by 4/30/10.
- Current homeowners are defined as those who have lived in a home as a primary residence for 5 of the past 8 years. The 5 years must be consecutive.

Q. Is the amount of the tax credit related to the price of the home?

A. Yes. The maximum credit is 10% of the purchase price of the home (excluding sales tax). The maximum credit for eligible first-time home buyers is \$8,000. The maximum credit for eligible current homeowners is \$6,500.

- If eligible first time or current homeowners purchase a home for \$50,000, they are eligible for a credit of \$5,000 ($\$50,000 \times .10$).
- If eligible first time or current homeowners purchase a home for \$80,000, the first time home buyer is eligible for \$8,000 ($\$80,000 \times .10$); the current homeowner would receive \$6,500 – the maximum tax credit permitted for existing homeowners.

Q. How does the tax credit work?

A. A tax credit reduces your income tax liability and is claimed on IRS Form 5405. The tax credit is refundable to you in the form of a check from the IRS in the amount that exceeds your tax liability. As an example: you complete your Form 1040 and you determine that you owe the IRS \$500. If you are eligible for the tax credit and you purchase a home for \$50,000, your \$5,000 tax credit ($\$50,000 \times .10$) will offset your \$500 tax liability and you should expect to receive a \$4,500 refund.

Q. How do I apply for the tax credit?

A. There is no application process. Eligible purchasers will claim the credit on IRS Form 5405 when they file their tax return. A copy of the settlement statement must be submitted with the tax return. You will want to be sure you qualify for the credit under the income limits and eligible buyer tests.

Q. Can I use the tax credit toward my down-payment to purchase my home?

A. Unfortunately no, because you must file your tax return in order to receive the credit.

Q. Can I access the \$\$ allocable to the tax credit sooner than waiting to file my 2009 or 2010 tax return?

A. Yes. Prospective home buyers who believe they qualify for the tax credit are permitted to reduce their income tax withholding up to the amount of the credit, which will enable most buyers to accumulate cash by raising their take home pay. This money can then be applied to the down payment. Note that if the tax withholding is reduced and the qualified purchase does not occur, the taxpayer would be liable for repayment of the income tax plus interest and penalties.



- Q. If I am qualified for the tax credit and buy a home in 2009, can I apply the tax credit against my 2008 tax return?**
- A. Yes. The law allows taxpayers to elect to treat qualified purchases in 2009 as if the purchase occurred on 12/31/08. This means that the 2008 MAGI applies and the election accelerates when the credit can be claimed (tax filing for 2008 returns instead of the 2009 returns).
- Q. Must the tax credit be repaid?**
- A. No! This tax incentive is a true tax credit. However, home buyers must use the residence as a principal residence for at least 3 years or face recapture of the tax credit amount. Certain exceptions apply.
- Q. Does the tax credit expire?**
- A. Time is of the essence. The credit is available for homes purchased on or after January 1, 2009 and before June 30, 2010, provided purchase contracts are in place by 4/30/10.
- Q. Are there any income restrictions?**
- A. Yes. Individuals are eligible for the tax credit if their modified adjusted gross income is no more than \$125,000. Those filing a joint return may have modified adjusted gross income of no more than \$225,000.
- Q. If I make more than this level of income, do I still qualify for a tax credit?**
- A. The tax credit has a phase-out provision, and reduces proportionately with incomes above \$125,000 (single filers) and \$225,000 (joint filers).
- Q. If I am under age 18, or claimed as a dependent on someone else's tax return, am I eligible for the tax credit?**
- A. No.
- Q. If I am interested in purchasing a home with someone to whom I am not married, can we both receive a 10% tax credit?**
- A. The total tax credit is limited to 10% of the purchase price of the home. The amount of tax credit that will be allocated to each individual will be in the manner prescribed by the IRS. The IRS Assistance Center's telephone # is provided below. Note that if either individual has owned a principal residence in the last 3 years, he/she would not qualify for the tax credit.
- Q. I am not a U.S. citizen. Can I claim the tax credit?**
- A. Maybe. Nonresident aliens (as defined by the IRS), who have not owned a principal residence in the previous 3 years and who meet the income limits test may claim the tax credit for a qualified home purchase. The IRS provides a definition of "nonresident alien" in IRS Publication 519.

- Resources -

IRS Telephone Assistance for Individuals
 M – F: 7 am – 10 pm (local time)
(800) 829-1040

National Association of Home Builders
www.federalhousingtaxcredit.com
(202) 266-8200