

FAQs

REGARDING THE HOMEBUYER'S TAX CREDIT

With the deadline for the Homebuyer's tax credit fast approaching, some potential homebuyers have questions regarding the tax credit and how it works. Here are some of the most frequently asked questions.

1 How is the tax credit claimed?

The tax credit is claimed as part of the homeowner's Federal income tax return. This is done on IRS Form 5405 with a copy of the Settlement Statement for the home purchase attached. The Settlement Statement is typically a finalized Form HUD-1.

2 Must an existing homeowner sell his/her home in order to qualify for the \$6,500 tax credit for repeat homebuyers?

No. A homebuyer may continue to own his/her existing home as a rental or vacation home. The only requirement is that the new home be used as the homebuyer's new principal residence. In order to qualify as the homebuyer's principal residence, he/she must live in it for a minimum of 36 months.

3 Do married couples both have to meet the eligibility requirements of the Act in order to qualify for the tax credit?

In general, the \$8,000 and the \$6,500 tax credits are only available for married couples who both qualify for the credit

and who file joint returns. Exceptions exist for homebuyers who were unmarried when they purchased their first home, married someone who did not qualify for the credit and claim the credit in the year in which the marriage occurred.

4 What is the deadline for home purchases to be completed in order to qualify for the credit?

In order to qualify, a buyer must enter into a binding contract for the purchase of a home by April 30, 2010 and close no later than June 30, 2010. There is an exception for members of the armed services, Foreign Service or employees of the intelligence community who have been on duty outside of the United States for at least 90 days between January 1, 2009 and April 30, 2010. For those individuals, the deadline to enter into a contract and close has been extended to April 30, 2011.

