



## First-Time Homebuyer Credit Questions and Answers: Homes Purchased in 2009 or 2010

New legislation signed on Nov. 6, 2009, extends and expands the first-time homebuyer credit allowed by previous Acts. The new law:

- extends deadlines for purchasing and closing on a home
- authorizes the credit for long-time homeowners buying a replacement principal residence
- raises the income limitations for homeowners claiming the credit

### General Information

**Q. How does the first-time homebuyer credit differ for homes purchased in 2009 and 2010 compared to the credit for homes purchased in 2008?**

A. First-time homebuyers who purchased new homes in 2008, subject to certain criteria, were eligible for a maximum credit of \$7,500, which must be repaid over a 15-year period.

Eligibility for the credit and the amount of the available credit for new homes purchased in 2009 were subject to a variety of changing rules depending upon when the home was purchased. First-time homebuyers who purchased new homes in 2009, subject to certain criteria, were eligible for a maximum credit of \$8,000, which does not have to be repaid. Long-time residents who purchased homes after November 6, 2009, subject to certain criteria, were eligible for a maximum credit of \$6,500, which does not have to be repaid. First-time homebuyers and long-time residents who purchase new homes in 2010 before May 1, 2010, subject to certain criteria, are eligible for a maximum credit of \$8,000 or \$6,500, respectively, which does not have to be repaid.

The credit for home purchases made in 2008 should be claimed on 2008 tax returns. The credit for purchases made in 2009 can be claimed on either the 2008 or 2009 tax return. The credit for homes purchased in 2010 can be claimed on either the 2009 or 2010 tax return. (1/27/10)

### Long-Time Homeowners

**Q. I understand that even if I have previously owned a home, I may be eligible for the homebuyer credit. Can you explain the rules?**

A. If you are a long-time resident and owner of the same main home and you buy a new home, the law may allow you to claim the homebuyer credit. You must buy your new home after Nov. 6, 2009, and before May 1, 2010. Alternatively, if you sign a binding contract on or before April 30, 2010, you must purchase or close on the new home on or before June 30, 2010. If you claim the credit as a long-time resident of the same main home, please provide documentation showing you lived in that home for a five-consecutive-year period during the eight years ending on the date you buy the new home. (1/26/10)

**Q. I'm already a homeowner. If I buy another home after Nov. 6, 2009, to use as my principal residence, do I have to sell my home to qualify for the homebuyer tax credit?**

A. No. If you meet all of the requirements for the credit, the law does not require you to sell or otherwise dispose of your current principal residence to qualify for a credit of up to \$6,500 when you buy a replacement home to use as your principal residence. The requirements are that you must buy, or enter into a binding contract to buy, the replacement principal residence after Nov. 6, 2009, and on or before April 30, 2010, and close on the home by June 30, 2010. Additionally, you must have lived in the same principal residence for any five-consecutive-year period during the eight-year period that ended on the date the replacement home is purchased. For example, if you bought a home on Nov. 30, 2009, the eight-year period would run from Dec. 1, 2001, through Nov. 30, 2009. (11/17/09)

**Q. Do I need to own a home at the time I buy my new home to get the credit as a long-time resident of the same main home?**

A. No, you do not have to own a home at the time you make your new purchase. But you must satisfy the criteria for having owned and lived in a home as your primary residence for a five-consecutive year period that falls somewhere within the eight-year timeframe that ends on the date you buy the home on which you are claiming the credit.

Thus, if you make a qualifying home purchase on Nov. 30, 2009, the eight-year period would run from Dec. 1, 2001, to Nov. 30, 2009. If you bought your previous home on Nov. 1, 2003, and continued living in it as your main home until at least Oct. 31, 2008, you will meet the five-consecutive year requirement. In this situation, you will still qualify for the credit even if you didn't own a home from Nov. 1, 2008, to Nov. 30, 2009, but you instead, for example, lived in a rental home during that period. (1/26/10)

**Q. I know that I can only get the credit if I owned and lived in my home for at least five consecutive years. How is the eligibility period figured?**

A. You must own a home and use it as your principal residence for any five-consecutive-year period during the eight-year period ending on the date you buy the home on which you are claiming the credit. The five-consecutive year period can cover any uninterrupted time span during the eight-year period. For example, suppose you make a qualifying home purchase on Nov. 30, 2009. The eight-year period would run from Dec. 1, 2001, to Nov. 30, 2009. If you bought and began living in your previous home on Nov. 1, 2003, and continued to own and live in that home until at least Oct. 31, 2008, you meet the five-consecutive-year requirement. (1/26/10)

**Q. Does the five year period need to be five consecutive calendar years?**

A. No. The five-consecutive-year period does not have to run from January 1 through December 31 provided it spans a continuous five-year period during the eight years prior to the purchase date of the new residence for which you are claiming the credit. For example, if you bought and began living in your previous home on Nov. 1, 2003, and continued to own and live in that home until at least Oct. 31, 2008, you would meet the five-consecutive-year requirement. (1/26/10)

#### Married and Co-Purchasing Homebuyers

**Q. I am a long-time resident (have owned and used my current home as a principal residence for five consecutive years out of the eight-year period ending on the date of purchase of the new residence) but my spouse has lived there for only three years. Can we qualify for the long-time resident homebuyer credit if we purchase a new principal residence?**

A. No. Both spouses must have owned and used the same previous principal residence for five consecutive years out of the 8-year period ending on the date of purchase of the new principal residence to qualify for the credit. (12/14/09)

**Q. I am a long-time resident and current homeowner and my spouse is a first-time homebuyer (has had no ownership interest in a principal residence during the three-year period ending on the date of purchase of a new principal residence) and we purchased a new principal residence. Can we qualify for either the first-time homebuyer credit or the long-time resident homebuyer credit if we purchase a new principal residence?**

A. No. Both you and your spouse must be first-time homebuyers in order to qualify for the first-time homebuyer tax credit. Since you had an ownership interest in a principal residence during the three-year period ending on the date of purchase, neither you nor your spouse qualifies for the credit. Similarly, both you and your spouse must be long-time homeowners of the same previous principal residence in order to qualify for the long-time resident homebuyer credit. Since your spouse is not a long-time homeowner of your current principal residence, neither of you qualify for the credit. (12/14/09)

**Q. I am a long-time homeowner of a principal residence and my spouse is a long-time homeowner of a different principal residence. Can we qualify for the long-time resident homebuyer credit if we purchase a new principal residence?**

A. No. Both spouses must have owned and used the same previous principal residence for five consecutive years out of the eight-year period ending on the date of purchase of the new principal residence to be eligible for the credit. Since you and your spouse owned and used different principal residences, neither of you qualify. (12/14/09)

**Q. How does the allocation provision work when unmarried taxpayers purchase a home together and both qualify for the first-time homebuyer credit under different tests?**

A. Co-purchasers who are not married may allocate the credit using a reasonable method. A reasonable method is any method that does not allocate any portion of the credit to a taxpayer who is not eligible for that portion of the credit. The maximum credit for a taxpayer who qualifies under the long-time resident test is \$6,500, and the maximum credit for a taxpayer who qualifies under the first-time homebuyer test is \$8,000. One example of a reasonable method is to allocate \$6,500 to the long-time resident homebuyer and \$1,500 to the first-time homebuyer. (12/14/09)

#### Home Construction

**Q. I plan to build a home and occupy it in 2009 or early 2010. Can I claim the first-time homebuyer credit now and use the funds toward the down payment or other ongoing construction costs?**

A. No. To qualify for the first time home buyer credit, the residence must be purchased. By statute, a residence which is constructed by the taxpayer is treated as purchased on the date the taxpayer first occupies the residence. (05/06/09)

**Q. I entered into a written home construction contract with a homebuilder before May 1, 2010, and the contract provides for completion of the home before July 1, 2010. Can I take the credit for the construction costs?**

A. Your home construction contract qualifies as a binding contract, entered into on or before April 30, 2010, to close on the purchase of a principal residence on or before June 30, 2010. If you occupy the home on or before June 30, 2010, and meet the other requirements, you can take the credit. (12/17/09)

**Q. I entered into a written home construction contract with a homebuilder before May 1, 2010, and the contract provides for completion of the home before September 1, 2010. Can I take the credit for the construction costs?**

A. Your home construction contract does not qualify as a binding contract to close on the purchase of a principal residence on or before June 30, 2010. Therefore, you do not qualify for the two-month extension of the deadline for completing the purchase in the case of a binding contract. However, if you occupy the home on or before April 30, 2010, and meet the other requirements, you can take the credit. If you do not occupy the home on or before April 30, 2010, you cannot take the credit. (12/17/09)

#### Claiming the Credit

**Q. I bought my home in early 2009, before the new \$8,000 credit was enacted. I filed my 2008 return claiming the old \$7,500 credit that has to be repaid. What do I need to do to get the \$8,000 credit?**

A. You can file an amended return.

**Q. I purchased a home in 2009, after I filed my 2008 return. Do I claim the credit on my 2009 return or can I claim it on an amended 2008 return?**

A. You can either file an amended return to claim it on your 2008 return or you can claim it on your 2009 return.

**Q. I am in the process of buying a home. Can I claim the first-time homebuyer credit now? That would allow me to use the refund for a down payment.**

A. No. You may not claim the credit in anticipation of a purchase that has yet to happen. Until you have finalized the purchase of your home, which for most purchasers occurs at the time of the closing, you do not qualify for the credit. IRS news release 2009-27, First-Time Homebuyers Have Several Options to Maximize New Tax Credit, contains details for filing options if the home is purchased after April 15, 2009.

#### Repaying the Credit

**Q. When must I pay back the credit for the home I purchased in 2009?**

A. Generally, there is no requirement to pay back the credit for a principal residence purchased in 2009 or early 2010. The obligation to repay the credit arises only if the home ceases to be your principal residence within 36 months from the date of purchase. The full amount of the credit received becomes due on the return for the year the home ceased being your principal residence.

**Q. If I claim the first-time homebuyer credit for a purchase in 2009 or early 2010 and stop using the property as my principal residence 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 your principal residence, you are required to repay the credit. Repayment of the full amount of the credit is due at the time the income tax return for the year the home ceased to be your 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.

**Related items:**

- [First-Time Homebuyer Credit Questions and Answers: Claiming the Credit on Your Tax Return](#)
- [First-Time Homebuyer Credit Questions and Answers: Basic Information](#)
- [First-Time Homebuyer Credit Questions and Answers: Homes Purchased in 2008](#)
- [First-Time Homebuyer Credit: Scenarios](#)
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*Page Last Reviewed or Updated: January 27, 2010*