

TAX CREDIT SUMMARY

Following are key points that prospective home buyers should be aware of when considering a home purchase under the tax credit program.

- A tax credit of up to \$6,500 is available **for repeat home buyers** who have owned a home for five consecutive years out of the prior eight years. The repeat home buyer tax credit applies to houses sold after November 6, 2009 and on or before April 30, 2010. In cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.
- A tax credit of up to \$8,000 is available **for first-time home buyers** purchasing on or after January 1, 2009 and on or before April 30, 2010. In cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.
- Income limits of \$125,000 for individuals and \$225,000 for married couples filing jointly apply to all sales occurring after Nov. 6, 2009.
- The income limits for sales occurring on or after January 1, 2009 and on or before November 6, 2009 are \$75,000 for individual taxpayers and \$150,000 for married couples filing jointly.
- Homes priced above \$800,000 are not eligible for either the first-time home buyer tax credit or the repeat home buyer tax credit.
- [Expanded tax credit benefits apply to members of the military, the foreign service and the intelligence community.](#)
- Home purchases in 2010 may be claimed on an amended 2009 income tax return.
- Persons who are claimed as dependents by a taxpayer or who are under age 18 do not qualify for a tax credit.
- Home purchases from relatives of the taxpayer or the taxpayer's spouse do not qualify for the tax credit. The IRS defines relatives as ancestors (parent, grandparent, etc.), lineal descendants (child, grandchildren, etc.) and spouses.
- Married couples are not eligible to claim the first-time home buyer tax credit if ***either*** spouse has previously owned a home. They may, however, qualify for the repeat home buyer tax credit.
- Neither the first-time home buyer tax credit nor the repeat home buyer tax credit have to be repaid unless the home is sold or ceases to be used as the buyer's principal residence within three years after the initial purchase.
- Taxpayers must submit a copy of the HUD-1 settlement statement and IRS Form 5405 to claim either the first-time home buyer tax credit or the repeat home buyer tax credit.

Source: NAHB

\$6500 for move up buyers

- To be eligible to claim the tax credit, buyers must have owned and lived in their previous home for five consecutive years out of the last eight years.
- The tax credit does not have to be repaid unless the home is sold or ceases to be used as the buyer's principal residence within three years after the initial purchase.
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$6,500.
- The tax credit applies only to homes priced at \$800,000 or less.
- The credit is available for homes purchased after November 6, 2009 and on or before April 30, 2010. However, in cases where a binding sales contract is signed by April 30, 2010, the home purchase qualifies provided it is completed by June 30, 2010.
- Single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000 qualify for the full tax credit.

1. **Who is eligible to claim the \$6,500 tax credit?**

Qualified move-up or repeat home buyers purchasing any kind of home are eligible to claim this credit.

2. **What is the definition of a move-up or repeat home buyer?**

The law defines a tax credit qualified move-up home buyer ("long-time resident") as a person who has owned and resided in the same home for at least five consecutive years of the eight years prior to the purchase date. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse. Repeat home buyers do not have to purchase a home that is more expensive than their previous home to qualify for the tax credit.

3. **How is the amount of the tax credit determined?**

The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$6,500. Purchases of homes priced above \$800,000 are not eligible for the tax credit.

4. **Are there any income limits for claiming the tax credit?**

Yes. The income limit for single taxpayers is \$125,000; the limit is \$225,000 for married taxpayers filing a joint return. The tax credit amount is reduced for buyers with a modified adjusted gross income (MAGI) above those limits. The phase-out range for the tax credit program is equal to \$20,000. That is, the tax credit amount is reduced to zero for taxpayers with MAGI of more than \$145,000 (single) or \$245,000 (married) and is reduced proportionally for taxpayers with MAGIs between these amounts.

5. **What is "modified adjusted gross income"?**

Modified adjusted gross income or MAGI is defined by the IRS. To find it, a taxpayer must first determine "adjusted gross income" or AGI. AGI is total income for a year minus certain deductions (known as "adjustments" or "above-the-line deductions"), but before itemized deductions from Schedule A or personal exemptions are subtracted. On Forms 1040 and 1040A, AGI is the last number on page 1 and the first number on page 2 of the form. For Form 1040-EZ, AGI appears on line 4 (as of 2007). Note that AGI includes all forms of income including wages, salaries, interest income, dividends and capital gains.

To determine modified adjusted gross income (MAGI), add to AGI certain amounts of foreign-earned income. [See IRS Form 5405](#) for more details.

6. If my modified adjusted gross income (MAGI) is above the limit, do I qualify for any tax credit?

Possibly. It depends on your income. Partial credits of less than \$6,500 are available for some taxpayers whose MAGI exceeds the phase-out limits.

7. Can you give me an example of how the partial tax credit is determined?

Just as an example, assume that a married couple has a modified adjusted gross income of \$235,000. The applicable phase-out to qualify for the tax credit is \$225,000, and the couple is \$10,000 over this amount. Dividing \$10,000 by the phase-out range of \$20,000 yields 0.5. When you subtract 0.5 from 1.0, the result is 0.5. To determine the amount of the partial first-time home buyer tax credit that is available to this couple, multiply \$6,500 by 0.5. The result is \$3,250.

Here's another example: assume that an individual home buyer has a modified adjusted gross income of \$138,000. The buyer's income exceeds \$125,000 by \$13,000. Dividing \$13,000 by the phase-out range of \$20,000 yields 0.65. When you subtract 0.65 from 1.0, the result is 0.35. Multiplying \$6,500 by 0.35 shows that the buyer is eligible for a partial tax credit of \$2,275.

Please remember that these examples are intended to provide a general idea of how the tax credit might be applied in different circumstances. You should always consult your tax advisor for information relating to your specific circumstances.

8. How is this home buyer tax credit different from the tax credit that Congress enacted in July of 2008? How is this different than the rules established in early 2009?

The previous tax credits applied only to first-time home buyers and were for different amounts of money.

9. How do I claim the tax credit? Do I need to complete a form or application? Are there documentation requirements?

You claim the tax credit on your federal income tax return. Specifically, home buyers should complete [IRS Form 5405](#) to determine their tax credit amount, and then claim this amount on line 67 of the 1040 income tax form for 2009 returns (line 69 of the 1040 income tax form for 2008 returns).

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.

10. What types of homes will qualify for the tax credit?

Any home that will be used as a principal residence will qualify for the credit, provided the home is purchased for a price less than or equal to \$800,000. This includes single-family detached homes, attached homes like townhouses and condominiums, manufactured homes (also known as mobile homes) and houseboats. The definition of principal residence is identical to the one used to determine whether you may qualify for the \$250,000 / \$500,000 capital gain

tax exclusion for principal residences.

It is important to note that you cannot purchase a home from, among other family members, your ancestors (parents, grandparents, etc.), your lineal descendants (children, grandchildren, etc.) or your spouse or your spouse's family members. Please consult with your tax advisor for more information. [Also see IRS Form 5405.](#)

11. I read that the tax credit is “refundable.” What does that mean?

The fact that the credit is refundable means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically this involves the government sending the taxpayer a check for a portion or even all of the amount of the refundable tax credit.

For example, if a qualified home buyer expected, notwithstanding the tax credit, federal income tax liability of \$5,000 and had tax withholding of \$4,000 for the year, then without the tax credit the taxpayer would owe the IRS \$1,000 on April 15th. Suppose now that the taxpayer qualified for the \$6,500 home buyer tax credit. As a result, the taxpayer would receive a check for \$5,500 (\$6,500 minus the \$1,000 owed).

12. Instead of buying a new home from a home builder, I hired a contractor to construct a home on a lot that I already own. Do I still qualify for the tax credit?

Yes. For the purposes of the home buyer tax credit, a principal residence that is constructed by the home owner is treated by the tax code as having been “purchased” on the date the owner first occupies the house. In this situation, the date of first occupancy must be after November 6, 2009 and on or before April 30, 2010 (or by June 30, 2010, provided a binding sales contract was in force by April 30, 2010).

In contrast, for newly-constructed homes bought from a home builder, eligibility for the tax credit is determined by the settlement date. Be sure to check with a tax advisor in cases where a HUD-1 form is not used at settlement to be sure you have sufficient documentation to attach to [IRS Form 5405.](#)

13. Can I claim the tax credit if I finance the purchase of my home under a mortgage revenue bond (MRB) program?

Yes. The tax credit can be combined with an MRB home buyer program.

14. I am not a U.S. citizen. Can I claim the tax credit?

Perhaps. Anyone who is not a nonresident alien (as defined by the IRS) and who has owned and resided in a principal residence in the United States for at least five consecutive years of the eight years prior to the purchase date can claim the tax credit if they meet the income limits. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse. The IRS provides a definition of “nonresident alien” in IRS Publication 519.

15. Is a tax credit the same as a tax deduction?

No. A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. That means that a taxpayer who owes \$6,500 in income taxes and who receives an \$6,500 tax credit would owe nothing to the IRS.

A tax deduction is subtracted from the amount of income that is taxed. Using the same example, assume the taxpayer is in the 15 percent tax bracket and owes \$6,500 in income taxes. If the

taxpayer receives a \$6,500 deduction, the taxpayer's tax liability would be reduced by \$975 (15 percent of \$6,500), or lowered from \$6,500 to \$5,525.

16. Is there a way for a home buyer to access the money allocable to the credit sooner than waiting to file their 2009 or 2010 tax return?

Yes. Prospective home buyers who believe they qualify for the tax credit are permitted to reduce their income tax withholding. Reducing tax withholding (up to the amount of the credit) will enable the buyer to accumulate cash by raising his/her take home pay. This money can then be applied to the downpayment.

Buyers should adjust the withholding amount on their W-4 via their employer or through their quarterly estimated tax payment. IRS Publication 919 contains rules and guidelines for income tax withholding. Prospective home buyers should note that if income tax withholding is reduced and the tax credit qualified purchase does not occur, then the individual would be liable for repayment to the IRS of income tax and possible interest charges and penalties.

In addition, rule changes made as part of the economic stimulus legislation allow home buyers to claim the tax credit and participate in a program financed by tax-exempt bonds. As a result, some state housing finance agencies have introduced programs that provide short-term second mortgage loans that may be used to fund a downpayment. Prospective home buyers should check with their state housing finance agency to see if such a program is available in their community. To date, 18 state agencies have announced tax credit assistance programs, and more are expected to follow suit. The National Council of State Housing Agencies (NCSHA) has compiled a list of such programs, which can be found [here](#).

17. HUD allows "monetization" of the tax credit. What does that mean?

It means that HUD will allow buyers using FHA-insured mortgages to apply their anticipated tax credit toward their home purchase immediately rather than waiting until they file their 2009 or 2010 income taxes to receive a refund. These funds may be used for certain downpayment and closing cost expenses.

Under the guidelines announced by HUD, non-profits and FHA-approved lenders are allowed to give home buyers short-term loans. The guidelines also allow government agencies, such as state housing finance agencies, to facilitate home sales by providing longer term loans secured by second mortgages.

Housing finance agencies and other government entities may also issue tax credit loans, which home buyers may use to satisfy the FHA 3.5 percent downpayment requirement.

In addition, approved FHA lenders can purchase a home buyer's anticipated tax credit to pay closing costs and downpayment costs above the 3.5 percent downpayment that is required for FHA-insured homes.

[More information about the guidelines is available on the NAHB web site.](#) Read the [HUD mortgagee letter \(pdf\)](#) and an explanation of the [FHA Mortgagee Letter on Tax Credit Monetization \(pdf\)](#). [An FAQ about monetization \(pdf\)](#) is available at the NAHB web site.

18. If I'm qualified for the tax credit and buy a home in 2009 (or 2010), can I apply the tax credit against my 2008 (or 2009) tax return?

Yes. The law allows taxpayers to choose ("elect") to treat qualified home purchases in 2009 (or

2010) as if the purchase occurred on December 31, 2008 (or if in 2010, December 31, 2009). This means that the previous year's income limit (MAGI) applies and the election accelerates when the credit can be claimed. A benefit of this election is that a home buyer in 2009 or 2010 will know their prior year MAGI with certainty, thereby helping the buyer know whether the income limit will reduce their credit amount.

Taxpayers buying a home who wish to claim it on their prior year tax return, but who have already submitted their tax return to the IRS, may file an amended return claiming the tax credit using Form 1040X. You should consult with a tax professional to determine how to arrange this.

19. For a home purchase in 2009 or 2010, can I choose whether to treat the purchase as occurring in the prior or present year, depending on in which year my credit amount is the largest?

Yes. If the applicable income phase-out would reduce your home buyer tax credit amount in the present year and a larger credit would be available using the prior year MAGI amounts, then you can choose the year that yields the largest credit amount.

Source: NAHB

\$8000 for first-time homebuyers

- The \$8,000 tax credit is for first-time home buyers only. For the tax credit program, the IRS defines a first-time home buyer as someone who has not owned a principal residence during the three-year period prior to the purchase.
- The tax credit does not have to be repaid unless the home is sold or ceases to be used as the buyer's principal residence within three years after the initial purchase.
- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.
- The tax credit applies only to homes priced at \$800,000 or less.
- The tax credit now applies to sales occurring on or after January 1, 2009 and on or before April 30, 2010. However, in cases where a binding sales contract is signed by April 30, 2010, a home purchase completed by June 30, 2010 will qualify.
- For homes purchased on or after January 1, 2009 and on or before November 6, 2009, the income limits are \$75,000 for single taxpayers and \$150,000 for married couples filing jointly.
- For homes purchased after November 6, 2009 and on or before April 30, 2010, single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000 qualify for the full tax credit.

1. Who is eligible to claim the \$8,000 tax credit?

First-time home buyers purchasing any kind of home—new or resale—are eligible for the tax credit. To qualify for the tax credit, a home purchase must occur on or after January 1, 2009 and on or before April 30, 2010. For the purposes of the tax credit, the purchase date is the date when closing occurs and the title to the property transfers to the home owner. A limited exception exists for certain contract for deed purchases and installment sale purchases. [See the IRS website for more detail.](#)

However, the law also allows home sales occurring by June 30, 2010 to qualify, provided they are due to a binding sales contract in force on or before April 30, 2010.

Persons who are claimed as dependents by other taxpayers or who are under age 18 are not qualified for the tax credit program.

2. What is the definition of a first-time home buyer?

The law defines "first-time home buyer" as a buyer who has not owned a principal residence during the three-year period prior to the purchase. For married taxpayers, the law tests the homeownership history of both the home buyer and his/her spouse.

For example, if you have not owned a home in the past three years but your spouse has owned a principal residence, neither you nor your spouse qualifies for the first-time home buyer tax credit. However, IRS Notice 2009-12 allows unmarried joint purchasers to allocate the credit amount to any buyer who qualifies as a first-time buyer, such as may occur if a parent jointly purchases a home with a son or daughter. Ownership of a vacation home or rental property not used as a principal residence does not disqualify a buyer as a first-time home buyer.

3. **How is the amount of the tax credit determined?**

The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.

4. **Are there any income limits for claiming the tax credit?**

Yes. For sales occurring after November 6, 2009, the income limit for single taxpayers is \$125,000; the limit is \$225,000 for married taxpayers filing a joint return. The tax credit amount is reduced for buyers with a modified adjusted gross income (MAGI) of more than \$125,000 for single taxpayers and \$225,000 for married taxpayers filing a joint return. The phase-out range for the tax credit program is equal to \$20,000. That is, the tax credit amount is reduced to zero for taxpayers with MAGI of more than \$145,000 (single) or \$245,000 (married) and is reduced proportionally for taxpayers with MAGIs between these amounts.

5. **The income limits for claiming the tax credit were raised when the tax credit was extended. Are the higher limits retroactive?**

No. The new income limits are only applicable to purchases occurring after November 6, 2009.

The income limits for sales occurring on or after January 1, 2009 and on or before November 6, 2009 are \$75,000 for single taxpayers and \$150,000 for married couples filing jointly.

6. **What is "modified adjusted gross income"?**

Modified adjusted gross income or MAGI is defined by the IRS. To find it, a taxpayer must first determine "adjusted gross income" or AGI. AGI is total income for a year minus certain deductions (known as "adjustments" or "above-the-line deductions"), but before itemized deductions from Schedule A or personal exemptions are subtracted. On Forms 1040 and 1040A, AGI is the last number on page 1 and first number on page 2 of the form. For Form 1040-EZ, AGI appears on line 4 (as of 2007). Note that AGI includes all forms of income including wages, salaries, interest income, dividends and capital gains.

To determine modified adjusted gross income (MAGI), add to AGI certain amounts of foreign-earned income. [See IRS Form 5405](#) for more details.

7. **If my modified adjusted gross income (MAGI) is above the limit, do I qualify for any tax credit?**

Possibly. It depends on your income. Partial credits of less than \$8,000 are available for some taxpayers whose MAGI exceeds the phase-out limits.

8. **Can you give me an example of how the partial tax credit is determined?**

Just as an example, assume that a married couple has a modified adjusted gross income of \$235,000. The applicable phase-out to qualify for the tax credit is \$225,000, and the couple is \$10,000 over this amount. Dividing \$10,000 by the phaseout range of \$20,000 yields 0.5. When you subtract 0.5 from 1.0, the result is 0.5. To determine the amount of the partial first-time home buyer tax credit that is available to this couple, multiply \$8,000 by 0.5. The result is \$4,000.

Here's another example: assume that an individual home buyer has a modified adjusted gross income of \$138,000. The buyer's income exceeds \$125,000 by \$13,000. Dividing \$13,000 by the phase-out range of \$20,000 yields 0.65. When you subtract 0.65 from 1.0, the result is 0.35. Multiplying \$8,000 by 0.35 shows that the buyer is eligible for a partial tax credit of \$2,800.

Please remember that these examples are intended to provide a general idea of how the tax

credit might be applied in different circumstances. You should always consult your tax advisor for information relating to your specific circumstances.

9. How is this home buyer tax credit different from the tax credit that Congress enacted in early 2009?

The tax credit's income limits were increased, the documentation requirements were tightened, and the program's deadlines were extended.

10. How do I claim the tax credit? Do I need to complete a form or application? Are there documentation requirements?

You claim the tax credit on your federal income tax return. Specifically, home buyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on line 67 of the 1040 income tax form for 2009 returns (line 69 of the 1040 income tax form for 2008 returns). 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 first-time 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.

11. What types of homes will qualify for the tax credit?

Any home that will be used as a principal residence will qualify for the credit, provided the home is purchased for a price less than or equal to \$800,000. This includes single-family detached homes, attached homes like townhouses and condominiums, manufactured homes (also known as mobile homes) and houseboats. The definition of principal residence is identical to the one used to determine whether you may qualify for the \$250,000 / \$500,000 capital gain tax exclusion for principal residences.

It is important to note that you cannot purchase a home from, among other family members, your ancestors (parents, grandparents, etc.), your lineal descendants (children, grandchildren, etc.) or your spouse or your spouse's family members. Please consult with your tax advisor for more information. [Also see IRS Form 5405.](#)

12. I read that the tax credit is "refundable." What does that mean?

The fact that the credit is refundable means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically this involves the government sending the taxpayer a check for a portion or even all of the amount of the refundable tax credit.

For example, if a qualified home buyer expected, notwithstanding the tax credit, federal income tax liability of \$5,000 and had tax withholding of \$4,000 for the year, then without the tax credit the taxpayer would owe the IRS \$1,000 on April 15th. Suppose now that the taxpayer qualified for the \$8,000 home buyer tax credit. As a result, the taxpayer would receive a check for \$7,000 (\$8,000 minus the \$1,000 owed).

13. Instead of buying a new home from a home builder, I hired a contractor to construct a home on a lot that I already own. Do I still qualify for the tax credit?

Yes. For the purposes of the home buyer tax credit, a principal residence that is constructed by the home owner is treated by the tax code as having been "purchased" on the date the owner first occupies the house. In this situation, the date of first occupancy must be on or after January

1, 2009 and on or before April 30, 2010 (or by June 30, 2010, provided a binding sales contract was in force by April, 30, 2010).

In contrast, for newly-constructed homes bought from a home builder, eligibility for the tax credit is determined by the settlement date.

14. Can I claim the tax credit if I finance the purchase of my home under a mortgage revenue bond (MRB) program?

Yes. The tax credit can be combined with an MRB home buyer program. Note that first-time home buyers who purchased a home in 2008 may not claim the tax credit if they are participating in an MRB program.

15. I live in the District of Columbia. Can I claim both the Washington, D.C. first-time home buyer credit and this new credit?

No. You can claim only one.

16. I am not a U.S. citizen. Can I claim the tax credit?

Maybe. Anyone who is not a nonresident alien (as defined by the IRS), who has not owned a principal residence in the previous three years and who meets 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.

17. Is a tax credit the same as a tax deduction?

No. A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. That means that a taxpayer who owes \$8,000 in income taxes and who receives an \$8,000 tax credit would owe nothing to the IRS.

A tax deduction is subtracted from the amount of income that is taxed. Using the same example, assume the taxpayer is in the 15 percent tax bracket and owes \$8,000 in income taxes. If the taxpayer receives an \$8,000 deduction, the taxpayer’s tax liability would be reduced by \$1,200 (15 percent of \$8,000), or lowered from \$8,000 to \$6,800.

18. I bought a home in 2008. Do I qualify for this credit?

No, but if you purchased your first home between April 9, 2008 and January 1, 2009, you may qualify for a different tax credit. Please consult with your tax advisor for more information.

19. Is there a way for a home buyer to access the money allocable to the credit sooner than waiting to file their 2009 or 2010 tax return?

Yes. Prospective home buyers who believe they qualify for the tax credit are permitted to reduce their income tax withholding. Reducing tax withholding (up to the amount of the credit) will enable the buyer to accumulate cash by raising his/her take home pay. This money can then be applied to the downpayment.

Buyers should adjust their withholding amount on their W-4 via their employer or through their quarterly estimated tax payment. IRS Publication 919 contains rules and guidelines for income tax withholding. Prospective home buyers should note that if income tax withholding is reduced and the tax credit qualified purchase does not occur, then the individual would be liable for repayment to the IRS of income tax and possible interest charges and penalties.

In addition, rule changes made as part of the economic stimulus legislation allow home buyers

to claim the tax credit and participate in a program financed by tax-exempt bonds. As a result, some state housing finance agencies have introduced programs that provide short-term second mortgage loans that may be used to fund a downpayment. Prospective home buyers should check with their state housing finance agency to see if such a program is available in their community. To date, 18 state agencies have announced tax credit assistance programs, and more are expected to follow suit. The National Council of State Housing Agencies (NCSHA) has compiled a list of such programs, which can be found [here](#).

20. HUD is now allowing "monetization" of the tax credit. What does that mean?

It means that HUD allows buyers using FHA-insured mortgages to apply their anticipated tax credit toward their home purchase immediately rather than waiting until they file their 2009 or 2010 income taxes to receive a refund. These funds may be used for certain downpayment and closing cost expenses.

Under HUD's guidelines, non-profits and FHA-approved lenders are allowed to give home buyers short-term loans of up to \$8,000. The guidelines also allow government agencies, such as state housing finance agencies, to facilitate home sales by providing longer term loans secured by second mortgages.

Housing finance agencies and other government entities may also issue tax credit loans, which home buyers may use to satisfy the FHA 3.5 percent downpayment requirement. In addition, approved FHA lenders can purchase a home buyer's anticipated tax credit to pay closing costs and downpayment costs above the 3.5 percent downpayment that is required for FHA-insured homes.

[More information about the guidelines is available on the NAHB web site](#). Read the [HUD mortgagee letter \(pdf\)](#) and an explanation of the [FHA Mortgagee Letter on Tax Credit Monetization \(pdf\)](#). [An FAQ about monetization \(pdf\)](#) is available at the NAHB web site.

21. If I'm qualified for the tax credit and buy a home in 2009 (or 2010), can I apply the tax credit against my 2008 (or 2009) tax return?

Yes. The law allows taxpayers to choose ("elect") to treat qualified home purchases in 2009 (or 2010) as if the purchase occurred on December 31, 2008 (or if in 2010, December 31, 2009). This means that the previous year's income limit (MAGI) applies and the election accelerates when the credit can be claimed. A benefit of this election is that a home buyer in 2009 or 2010 will know their prior year MAGI with certainty, thereby helping the buyer know whether the income limit will reduce their credit amount.

Taxpayers buying a home who wish to claim it on their prior year tax return, but who have already submitted their tax return to the IRS, may file an amended return claiming the tax credit using Form 1040X. You should consult with a tax professional to determine how to arrange this.

22. For a home purchase in 2009 or 2010, can I choose whether to treat the purchase as occurring in the prior or present year, depending on in which year my credit amount is the largest?

Yes. If the applicable income phase-out would reduce your home buyer tax credit amount in the present year and a larger credit would be available using the prior year MAGI amounts, then you can choose the year that yields the largest credit amount.

Source: NAHB

Buyer Resources

Buying a home can be complicated, but fortunately a lot of expert advice is available to help people navigate the experience. These online resources can help make the process smoother.

[FAQ About Monetization of the Tax Credit](#)

[First-Time Home Buyer Tax Credit information](#) from the IRS.

[Nebraska Investment Finance Authority](#)

[NIFA Advance Buyer Credit Loan Program News Release](#)

[NIFA Advance Buyer Credit Loan Program Summary](#)

[Nebraska Home Buyer Assistance Programs](#) Department of Housing and Urban Development

[Buying and Owning a Home](#) Freddie Mac

[Buying a Home](#) Department of Housing and Urban Development

[The Home Buying Process](#) Federal Housing Administration

[FHA Loans](#) Federal Housing Administration

[Homeownership Resources](#) Fannie Mae

[Home Loan Learning Center](#) Mortgage Bankers Association

[Home Loan Guaranty Services](#) Dept. of Veterans Affairs

[Housing Publications from the Federal Citizen Information Center](#) Most in PDF format

[**Search for a home in Lincoln, Nebraska**](#) REALTORS® Association of Lincoln

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