

INFORMATION PAPER

SUBJECT: First-Time Homebuyer Credit: Members of the Military and Certain Other Federal Employees

1. The Worker, Homeownership and Business Assistance Act of 2009 was signed into law on 6 November 2009. It extends and expands the first-time homebuyer credit allowed by previous Acts. The new law:
 - a. Extends deadlines for purchasing and closing on a home.
 - b. Authorizes the credit for long-time homeowners buying a replacement principal residence.
 - c. Raises the income limitations for homeowners claiming the credit.
2. Under the new law, an eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before 30 April 2010 and close on the home by 30 June 2010. For qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 return.
3. For the first time, long-time homeowners who buy a replacement principal residence may also claim a homebuyer credit of up to \$6,500 (up to \$3,250 for a married individual filing separately). They 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.
4. People with higher incomes can now qualify for the credit. The new law raises the income limits for homes purchased after 6 November 2009. The credit phases out for individual taxpayers with modified adjusted gross income (MAGI) between \$125,000 and \$145,000 or between \$225,000 and \$245,000 for joint filers. The existing MAGI phase-outs of \$75,000 to \$95,000 or \$150,000 to \$170,000 for joint filers still apply to purchases on or before 6 November 2009.
5. Several new restrictions apply to homes purchased after 6 November 2009.
 - a. Purchasers must attach a properly executed settlement statement to their return.
 - b. No credit is available if the purchase price of the home exceeds \$800,000.
 - c. The purchaser must be at least 18 years old on the date of purchase. For a

married couple, only one spouse must meet this age requirement.

d. A dependent is not eligible for the credit.

e. The new law gives the IRS broader authority to deny first-time homebuyer credit claims, without having to first audit a taxpayer's return. Known as math error authority, this authority applies, retroactively, to credits claimed on original and amended 2008 returns, as well as to claims yet to be filed.

6. Additionally, there are new benefits for members of the military and certain other federal employees:

a. Members of the military and certain other federal employees serving outside the U.S. have an extra year to buy a principal residence in the U.S. and qualify for the credit. Thus, an eligible taxpayer must buy, or enter into a binding contract to buy, a principal residence on or before 30 April 2011. If a binding contract is entered into by that date, the taxpayer has until 30 June 2011 to close on the purchase. Members of the uniformed services, members of the Foreign Service and employees of the intelligence community are eligible for this special rule. It applies to any individual (and, if married, the individual's spouse) who serves on qualified official extended duty service outside of the United States for at least 90 days during the period beginning after 31 December 2008, and ending before 1 May 2010.

b. In many cases, the credit repayment (recapture) requirement is waived for members of the uniformed services, members of the Foreign Service and employees of the intelligence community. This relief applies where a home is sold or stops being the taxpayer's principal residence after 31 December 2008, in connection with government orders received by the individual (or the individual's spouse) for qualified official extended duty service. The credit is still allowable even if this happens during the year of purchase. Qualified official extended duty is any period of extended duty while serving at a place of duty at least 50 miles away from the taxpayer's principal residence (whether inside or outside the U.S.) or while residing under government orders in government quarters. Extended duty is defined as any period of duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.

Ms. Lacy/IMNE-BEL-JA/805-2856
Approved by LTC Reid, SJA