



nerej

New form for first-time homebuyers' credit

February 17, 2010 - Front Section

The IRS has released, for the 2010 filing season, a new Form 5405 and instructions that must be used to claim the new homebuyer credit. Due to the additional documentation that must be provided with the return claiming the credit, taxpayers claiming the credit must file paper returns only.

The Worker, Homeownership, and Business Assistance Act of 2009 made significant changes to the existing homebuyer credit. The credit has been extended to include a broader range of home purchasers, and new documentation requirements have been added to substantiate that taxpayers have claimed the credit properly, and to help discourage fraud with respect to the expanded credit.

Taxpayers claiming the homebuyers credit must include with their return one of the following documents in order to receive the credit: a properly executed HUD-1, Settlement Statement; for mobile home purchasers, a copy of the executed retail sales contract showing all parties' names and signatures, property address, purchase price, and date of purchase; for newly constructed home where a settlement statement is not available, a copy of the certificate of occupancy showing the owner's name, property address, and the date of the certificate.

The Worker, Homeownership, and Business Assistance Act of 2009 allows a long-time resident of the same main home to claim a reduced homebuyer credit if they purchase a new principal residence. To be eligible for the credit, taxpayers must show that they have lived in their homes for a five consecutive year period during the eight year period ending on the purchase date of the new home. Attaching the following documentation can help speed up the processing of these returns and avoid refund delays: Form 1098 or substitute mortgage interest statements; property tax records; or homeowners' insurance records.

Normally, it takes about four to eight weeks to get a refund claimed on a complete and accurate paper return where all required documents are attached.

Norman Posner, CPA, managing partner, Samet & Co., Chestnut Hill, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540