



2011

First Time Homebuyer Credit

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FTHBC was enacted in 2008 and modified three times - creating challenges for IRS

- In July 2008, the **Housing and Economic Recovery Act (HERA)** established a refundable FTHBC credit (up to \$7,500) for first time home purchases from April 9, 2008 through July 1, 2009. Credit must be repaid over 15 years.
- In February 2009, the **American Recovery and Reinvestment Act (ARRA)** of 2009 increased the maximum credit to \$8,000 and extended it to home purchases through November 30, 2009. No repayment required.
- In November 2009, the **Worker, Homeownership, and Business Assistance Act (WHBAA)** of 2009 extended the tax credit to first time home purchases through April 30, 2010. Added a maximum \$6,500 credit for Long Time Homeowners.
- ▶ In July 2010, the **Homebuyer Assistance and Improvement Act (HAIA)** of 2010 extended the date to close on a home purchase from June 30, 2010 to September 30, 2010.



FY 2011 Implementation of the Recapture and Repayment Strategy

- Continued processing of FTHBC claims on original and amended paper returns with attached documentation
- IRS developed a comprehensive repayment and recapture strategy.
- IRS developed and revised web-site content for a separate section on the repayment and recapture of the FTHBC
- IRS sent reminder notices to all claimants before the filing season began to remind them about the 15-year repayment for 2008 purchases and the recapture provisions if their home was “disposed of” within 3 years for the other provisions.



FY 2011 Implementation of the Recapture and Repayment Strategy

- This filing season was the first year IRS processed returns that included the first of the 15-year repayments for 2008 purchases.
- IRS used its math error authority if the 15-year repayment was not reported on the return.
- Resolved filing season processing issues
 - Programming updates were deployed to address returns reporting
 - home dispositions and
 - excess repayments
 - Process put in place to address allocation of repayments on joint returns



Compliance Actions to Date

- 370,000 math errors
- 450,000 examinations, protecting over \$1.5 billion
- 200 criminal schemes identified



2012 Filing Season Update

- Changes to Form 5405 for FS 2012
 - Form 5405 is no longer required when making an installment payment
 - Report repayment on new line 59b on Form 1040
 - Form 5405 still needs to be submitted when reporting a disposition (can be electronically filed)
 - Form 5405, line 13c was revised to support a disposition for gifting a property
 - New Part V added to Form 5405 for calculating gain or loss for a property disposition
 - Form 5405 for new claims must still be filed by paper



2012 Filing Season Update

- Updates to Publication 523, Selling Your Home will include specific FTHBC information:
 - “How to Calculate a Gain”
 - Repayment of the credit
 - Reducing basis for the credit



FTHBC Look-Up Tool

- A web-based application is under development which will display FTHBC account information
- Scheduled for January 2012 deployment
- The system will allow the individual to self authentic
- Account data will be updated monthly



In 2012 IRS will continue both its compliance and outreach efforts

- Compliance efforts include
 - Notices to taxpayers who appear to have disposed of their home
 - Upfront processing checks
 - Criminal Investigation screening
 - Audits
 - Use of third party data matching results
- Outreach efforts focused on taxpayers, preparers and industry



Questions?