

About the First Time Homebuyer Credit & Repayment

The federal government under President Barack Obama encouraged consumers to buy their first home by offering them a tax credit of \$7,500 in 2008 and \$8,000 in 2009 and 2010 via the Housing and Economic Recovery Act (HERA). However, an important caveat was that people who received the credit in 2008 were required to pay back the credit over time. For post-2008 purchases, the repayment requirement of the first-time homebuyer credit is generally waived.

About Repayment

If the taxpayer received the First-Time Homebuyer Credit for a qualifying home purchase made between April 9, 2008, and December 31, 2008, they must make a repayment of the credit on their federal tax return.

Repayment of the credit is generally spread over 15 years. To repay the credit, the taxpayer must increase their federal income taxes by $6\frac{2}{3}\%$ (or $1/15$) of the amount of the credit for each taxable year in the 15-year repayment period. The repayment period begins with the second taxable year following the year of qualifying home purchase.

Example: The taxpayer received a \$7,500 First-Time Homebuyer Credit for 2008. They must repay the credit. The 15-year repayment period started with 2010, the second taxable year from 2008. To repay the credit, they must add \$500 (which is $6\frac{2}{3}\%$ of \$7,500) to their federal income tax for each taxable year in the repayment period.

If the taxpayer disposes of the home or stops using it as their principal residence in the tax year, they must make full repayment on their tax return for that year (with some exceptions).

How to Assist the Taxpayer

If the taxpayer is required to make an annual repayment of the First-Time Homebuyer Credit:

- They must file a federal income tax return, even if their gross income does not exceed the return filing threshold.
- The preparer should use the [First Time Homebuyer Credit Account Look-Up](#) to confirm the repayment amount. Taxpayers and preparers can use the tool to learn the following:
 - The balance of the First-Time Homebuyer Credit.

- The amount paid back to date.
- The total amount of the credit received.
- The annual installment repayment amount.

- The tax return can be **E-filed. *New!***

- The repayment is entered in TaxSlayer using **Federal Section→Other Taxes→Repayment of First-Time Homebuyer Credit.**

- The additional federal income tax is entered on **Schedule 2, *Additional Taxes.***
(Repayment of the full credit is entered on **Form 5405, *Repayment of the First-Time Homebuyer Credit.*** Full repayment of the First Time Homebuyers Credit because of sale of the home or other circumstance is in scope for VITA.)

- Married Filing Joint customers are required to file two separate **Form 5405s** with individual repayment amounts. For a total \$500 repayment, that would be \$250 for each spouse filing **Married Filing Jointly.**

Refer to these IRS resources for additional information:

- [First-Time Homebuyer Credit: Questions and Answers](#)
- [Topic No. 611 Repayment of the First-Time Homebuyer Credit](#)
- [Do I Need to Repay the First-Time Homebuyer Credit?](#)