

FIRST TIME HOMEBUYER CREDIT DOCUMENTATION NEEDED

The IRS expects to start processing 2009 tax returns claiming the homebuyer credit in mid-February after it completes the updating and testing of systems to meet the law's new requirements. The updates allow the IRS to put in place critical systemic checks to deter fraud related to the homebuyer credit.

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. For those homebuyers filing early, the IRS expects the first refunds based on the homebuyer credit will be issued toward the end of March. Some of these early taxpayers claiming the homebuyer credit may see tax refunds take an additional two to three weeks.

In addition to filling out a Form 5405, all eligible homebuyers must include with their 2009 tax returns one of the following documents in order to receive the credit:

- A copy of the settlement statement showing all parties' names and signatures, property address, sales price, and date of purchase. Normally, this is the properly executed Form HUD-1, Settlement Statement (in Arizona this would be the ESTIMATED Settlement Statement and MUST have the Buyer & Seller's Signature on it!).
- For mobile home purchasers who are unable to get a settlement statement, a copy of the executed retail sales contract showing all parties' names and signatures, property address, purchase price and date of purchase.
- For a 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 date of the certificate.

In addition, the new law allows a long-time resident of the same main home to claim the homebuyer credit if they purchase a new principal residence. To qualify, eligible taxpayers must show that they lived in their old homes for a five-consecutive-year period during the eight-year period ending on the purchase date of the new home. The IRS has stepped up compliance checks involving the homebuyer credit, and it encouraged homebuyers claiming this part of the credit to avoid refund delays by attaching documentation covering the five-consecutive-year period:

- Form 1098, Mortgage Interest Statement, or substitute mortgage interest statements,
- Property tax records or
- Homeowner's insurance records.

The IRS also reminded homebuyers that the new documentation requirements mean that taxpayers claiming the credit cannot file electronically and must file paper returns. The IRS encourages taxpayers to use direct deposit to speed their refund.

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