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New Documentation Requirements for First-Time Homebuyer Credit

The IRS has released the revised Form 5405, *First-Time Homebuyer Credit*, which individuals need to claim the first-time homebuyer credit in 2009.

(For background information about the credit, refer to the January/February 2010 *HRR Adviser* article, "Extending and Expanding First-Time Homebuyer Credit," in the "Firm News" section of our website, www.hrrllp.com.)

The accompanying instructions detail the documents that now must be included with the return in order to receive the tax credit. First-time home buyers must attach a copy of their settlement statement (including names and signatures of all involved parties, property address, purchase price, and date of purchase). For most homebuyers, this will be a properly executed HUD-1 Form. For newly-constructed homes that do not have an executed settlement statement, buyers should attach a copy of the certificate of occupancy showing the name of the taxpayer, the property address, and the date of the certificate.

The law allows long-term residents a tax credit for the purchase of a new home if they can demonstrate that they lived in their old home for at least five consecutive years during the eight-year period prior to the purchase of the new home. These taxpayers are required to attach additional documentation covering the five-consecutive-year period including one of the following: mortgage interest statements, property tax records, or homeowner's insurance records.

It should be noted that taxpayers cannot file their tax returns electronically and must file paper returns because of the new documentation requirements. **h**

For more information on the first time homebuyer credit, please contact Senior Tax Manager Sidney W. Leibowitz at (631) 719-3265 or SLeibowitz@hrrllp.com.



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