

# Jennings Seminars Tax Pro News



By Practitioners, For Practitioners

Volume 5, No.4

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### IN THIS ISSUE:

- **1st** Time Homebuyer Special



**We have had more emails, phone calls and client questions on this topic than any other issue in our professional experience. So here are your answers!**

### 1st Time Homebuyer Credit

The American Recovery Act changed the 1<sup>st</sup> time homebuyer credit by increasing the amount to the lesser of 10% of cost or \$8,000 and making it a permanent credit. A 1st time homebuyer is person (s) with no U.S. ownership in 3 years prior to the date of new purchase.

The increased credit applies to personal residences (trailer, boat, RV, home) purchased after 12/31/2008 and before 12/01/2009. Vacation and rental homes do not qualify. [Form 5405](#) is used for the credit. The credit phases out at \$150-170,000 AGI for joint returns and \$75-95,000 for single returns.

This is a permanent credit (no repayment required) unless the taxpayer sells before 36 months or the home ceases to be a principal residence before 36 months has passed.

HUD is allowing individuals to use the 1<sup>st</sup> time credit as a "bridge loan" to be treated as a down payment on a HUD financed home.

Eligibility for the first-time homebuyer credit is determined on the date of purchase. If Anne, a first-time homebuyer, buys a house and then later that year marries Bryan, not a first-time homebuyer, the credit is allowable to Anne. ([IRS News Article Scenario 1](#))

## Society Sponsored Seminars

We are sponsored in many states by a state society. Many of the societies also offer discounts on our self study products purchased through their website. Our upcoming society sponsored seminars include:

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## Society Sponsor Spotlight:

### The Oregon Association of Independent Accountants

503-282-7247

OAIA continues in their second full year as the exclusive Oregon sponsor of Jennings Seminars.

Upcoming fall seminars in Portland include the only 2-day [Estate/Gift/trust/fiduciary](#) tax class in the country on October 22 & 23, the 2-day [Business](#)

A taxpayer who owned rental property within the past three years is still eligible for the credit. The taxpayer cannot have owned and used a home as his or her principal residence within the last three years. (Scenario 3)

A qualifying taxpayer bought a home in August 2008 that needed a lot of work before occupying. They finished the renovations and moved in the home in January 2009. Can they claim the \$8,000, since they did not occupy the home until 2009?

No. Taxpayers who purchase an existing home and renovate the property before moving in are eligible for the first-time homebuyer credit based on the date of purchase, not the date of occupancy. ([IRS News Article Scenario 8](#))

The credit is normally taken on a 2009 return filed in 2010 but the taxpayer may elect to take the credit on 2008 return (Form 5405, Box C). The credit is the lesser of 10% of the home's cost or the IRS limit. *Note that you are not required to take the credit.*

Homes purchased from a close relative do not qualify for the credit. This includes your spouse, parent, grandparent, child or grandchild. It does not include step-relatives. Nonresident aliens also do not qualify for the credit.

A residence which is constructed by the taxpayer is treated as purchased on the date the taxpayer first occupies the residence.

**Preparer Trap** A taxpayer is not eligible for the first-time homebuyer credit unless there is a completed sale. On contract sales, the contract for deed may not be a completed sale because all of the provisions of the contract have not been met. However, the determination of whether there is a completed sale would depend on the facts and circumstance of the particular case and perhaps state law.

**Preparer Tip** If a taxpayer purchases a home to be used as a primary residence from an unrelated person and has not owned a home within the previous 36 months, the taxpayer is eligible for the first-time homebuyer credit **regardless of who makes the mortgage payment.**

According to [IRS Notice 2009-12](#) the credit may be allocated to un-married purchasers in any fair manner-the credit is per home, not per home-owner.

Homes purchased from 4/9/08-12/31/2008 also qualify under old rules, but the credit is limited to \$7,500. The 2008 credit must be repaid over 15 years or at home sale starting

[Tax In-Depth](#) seminar on September 17 & 18 and the 2-day 1040 In Depth course on December 3 & 4. The 2-day 1040 class will also be presented in Eugene on November 12 & 13, 2009.

Portland, the City of Roses, is known for it's beautiful flowers, mild weather, Trail Blazers basketball and friendly people. As speakers we always love our Portland seminars because of the variety of activities available in the nearby seminar area, including golf, sightseeing, skiing, shopping and some of America's finest restaurants.

The Eugene seminar is located directly on the river and across the parking lot from Eugene's finest shopping mall for a wonderful seminar experience in a beautiful location. Eugene, the home of the University of Oregon is known for its natural beauty and recreational opportunities. NIKE corporation was started here.

Maybe this is the year to take that cpe class on the West Coast! Call OAIA at 503-282-7247

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2 tax years after the credit is claimed (for 2008 purchases only). If the home is sold before 15 years has passed the un-repaid credit must be repaid in the year of sale, limited to the gain on the home. (Reduce basis by any un-repaid credit)

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## New Business Tax Update in [Huntsville Alabama](#), Sept. 30!

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### 2009 Business Tax In Depth Classes

August 27-28, [Clarksville, IN](#)  
Sept. 17-18, [Portland, OR](#)  
Sept. 21-22, [Oklahoma City, OK](#)  
October 1-2, [Williamsburg, VA](#)  
October 5-6, [Fargo, ND](#)  
October 7-8, [Fairfax, VA](#)

### New Cities this Fall

9/24 [Missoula, MT](#) Business Update  
9/25 [Missoula, MT](#) Tech  
9/30 [Huntsville, AL](#) Business Update  
11/2 [Cary, NC](#) 1040 In Depth  
11/14 [San Francisco](#) 1040 Update  
11/18 [Rosemont, IL](#) 1040 In Depth  
12/1 [St Louis](#) 1040 In Depth  
12/3 [Branson, MO](#) 1040 In Depth  
12/9 [Sioux Falls, SD](#) 1040 In Depth  
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12/10 [Kansas City](#) 1040 In Depth  
12/16 [Salt Lake City](#) 1040 In Depth  
12/21 [Council Bluffs, Iowa](#) 1040 In Depth  
1/04 [Albuquerque](#) 1040 In Depth  
1/12 [Seattle](#) 1040 Update  
7/18/2010 [Alaska Cruise](#) CPE

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### 2009 Remaining Tech Seminars

We have dates scheduled in [Fargo](#); and [Missoula, Montana](#) .

Our 2010 Alaska cruise CPE is scheduled for July 18-26th on Holland America lines from Vancouver to Seward. Call Wayne McCaulley at Holland American Cruise Lines at 800-355-3017 x 29301 to get pricing and to reserve your cabin today! Call Jennings Seminars at 877-466-1040 with any questions or to register for onboard seminars.

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