



Homebuyer tax credit: 950,000 must repay

By Les Christie, staff writer

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NEW YORK (CNNMoney.com) -- Nearly half of all Americans who claimed the first-time homebuyer tax credit on their 2009 tax returns will have to repay the government.

According to a report from the Inspector General for Tax Administration, released to the public Thursday, about 950,000 of the nearly 1.8 million Americans who claimed the tax credit on their 2009 tax returns will have to return the money.

The confusion comes because homebuyers were eligible for two different credits, depending on when their homes were purchased.

Those who bought properties during 2008 were to deduct, dollar for dollar, up to 10% of the home's purchase price or \$7,500, whichever was less. The catch: The money was a no-interest loan that had to be repaid within 15 years.

Had they waited to buy until 2009, they could have gotten a much sweeter deal. Congress extended the credit and made it a refund rather than a loan.

Now, the IRS is developing a strategy for separating the 2009 taxpayers who are required to repay the credit from those who

are not.

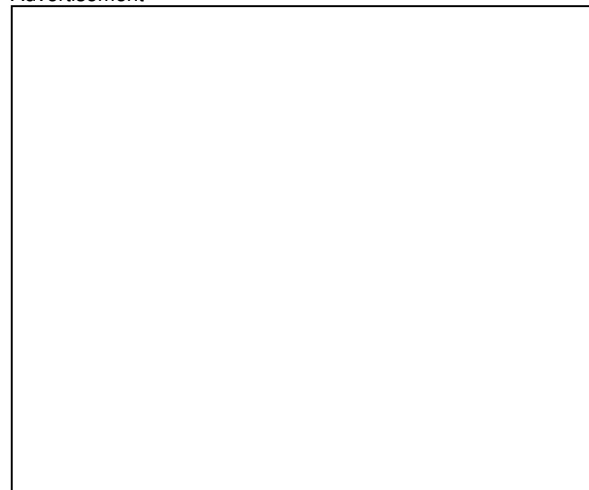
A review by the Inspector General earlier this year found that the IRS could not easily distinguish between home purchases made in 2008 and 2009. That heightened concerns that some claims could be erroneous or even fraudulent, that buyers could, for example, claim their purchase came later than it actually occurred.

Thursday's release reported that 73,000 claims, more than 4% of the 1.8 million homebuyers who received the credit, had incorrect purchase dates recorded by the IRS.

Some of the inaccuracies counted against the taxpayers, Nearly 60,000 were listed as purchasing in 2008 (meaning they had to repay the credit) or had no purchase dates at all, rather than their correct 2009 purchase dates, which would free them of the obligation to pay it back.

It is also taking a look at all those deceased taxpayers who received credits.

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The inspector general reported that 1,326 single people listed as dead by the Social Security Administration claimed more than \$10 million in credits. The IRS threw out 528 of those 1,326 claims, saving \$4 million.

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