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HOUSING NEWS

Contact: Dan Dressman, (513) 851-6300 www.CincyBuilders.com

Specific IRS Requirements Apply to Home Buyer Tax Credit

CINCINNATI--It's important that homebuyers meet specific IRS requirements to be eligible for the 2009-2010 homebuyer tax credit, reports the Home Builders Association of Greater Cincinnati (HBA).

The IRS considers 'purchase' of the home rather than 'closing' on a loan. Purchase for taxpayers building a new home means completion of construction. The purchase must occur prior to May 1, 2010 with a binding contract in place.

"The revised IRS Form 5405 requires issuance of a certificate of occupancy (CO) on the home and stipulation that it must be the buyer's primary residence. This must occur prior to July 1, 2010," said Dan Dressman, HBA Executive Director.

According to the IRS, copies of the CO, along with the binding contract (indicating completion prior to May 1, 2010) must be attached to Form 5405.

If construction is not completed prior to July 1, 2010 the home does not qualify as the primary residence and the credit does not apply.

"There have been problems reported in some jurisdictions that do not issue certificates of occupancy. The new IRS Form does not offer alternative options at this time for proving purchase other than a CO as a proof of settlement," said Dressman.

The HBA advises home buyers to contact their tax advisor prior to filing for the tax credit this year. Further clarification regarding proof of purchase is anticipated soon from the IRS.

The HBA of Greater Cincinnati is the largest local chapter of the National Association of Home Builders in Ohio and one of the top 20 largest HBAs in the country.

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