

Question and answer from the IRS on tax credits for homebuyers

Q. Can a taxpayer claim the first-time homebuyer credit if the purchase is pursuant to a seller financing arrangement (for example, a contract for deed, installment land sale contract, or long-term land contract), and the seller retains legal title to secure the taxpayer's payment obligations?

A. If the taxpayer obtains the "benefits and burdens" of ownership of a residence in a seller financing arrangement, then the taxpayer can claim the credit even though the seller retains legal title. Factors that indicate that a taxpayer has the benefits and burdens of ownership include: 1. the right of possession, 2. the right to obtain legal title upon full payment of the purchase price, 3. the right to construct improvements, 4. the obligation to pay property taxes, 5. the risk of loss, 6. the responsibility to insure the property and 7. the duty to maintain the property. (7/2/09)

Q. If a taxpayer purchases a mobile home (manufactured home) with land and qualifies for the credit, is the amount of the credit based on the combined cost of the home and land?

A. Yes. The first-time homebuyer credit is ten percent of the purchase price of a principal residence. The total purchase price (mobile home and land) is used to determine the amount of the first-time homebuyer credit.

Q. Is a taxpayer who purchases a mobile home and places the home on leased land eligible for the first-time homebuyer credit?

A. Yes. A mobile home may qualify as a principal residence and it is not necessary that the taxpayer own the land to qualify for the first-time homebuyer credit.