

Form 8859
District of Columbia First-Time Homebuyer Credit

- Purpose:** This is the first circulated draft of the 2007 version of Form 8859, District of Columbia First-Time Homebuyer Credit. The major changes are discussed below.
- TPCC Meeting:** None scheduled, but may be arranged if requested.
- Instructions:** The 2007 Instructions for Form 8859 are included.
- Prior Revisions:** The 2006 version of Form 8859 can be viewed by clicking on the following link:

<http://www.irs.gov/pub/irs-pdf/f8859.pdf>
- Other Products:** Circulations of draft tax forms, instructions, notices, and publications are posted at http://taxforms.web.irs.gov/draft_products.html.
- Comments:** Please call, mail, email, or fax any comments by Monday, July 9, 2007.

Major Changes

1. All year references have been changed.
2. Line references on line 9 for both Form 1040 and 1040NR have been updated.
(PL 109-222, section 302; 2/6/07 WRN Form 1040; 1/29/07 WRN Form 1040NR)
3. New line 11 added to account for alternative minimum tax (AMT).
(IRC 26(a)(1))
4. New line 12 added to subtract AMT from total on line 10.
(IRC 26(a)(1))
5. Instruction to "Check box **c**" on old line 11 (new line 13) has changed to: "Check box **b**"
(2/6/07 WRN Form 1040, 1/29/07 WRN Form 1040NR)
6. Old line 12 is now new line 14

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**District of Columbia First-Time
 Homebuyer Credit**

▶ Attach to Form 1040 or Form 1040NR.

Name(s) shown on return

Your social security number

Note: Do not complete Parts I and II if you only have a **credit carryforward from 2006.**

Part I General Information

A Address of home qualifying for the credit (if different from the address shown on return)

Information from settlement statement or deed	B Lot number	C Square number	D Settlement or closing date
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Part II Tentative Credit

1 Enter \$5,000 (\$2,500 if married filing separately). If the purchase price of the home was less than \$5,000, enter the purchase price (one-half of the purchase price if married filing separately). If someone other than a spouse also held an interest in the home, enter only your share of the \$5,000 (or, if smaller, your share of the purchase price) (see instructions)	1			
2 Enter your modified adjusted gross income (see instructions)	2			
3 Is line 2 more than \$70,000 (\$110,000 if married filing jointly)? No. Skip lines 3 through 5 and enter the amount from line 1 on line 6. Yes. Subtract \$70,000 (\$110,000 if married filing jointly) from the amount on line 2 and enter the result	3			
4 Divide line 3 by \$20,000 and enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000	4	×	.	
5 Multiply line 1 by line 4	5			
6 Subtract line 5 from line 1. This is your tentative credit	6			

Part III Credit Carryforward From 2006

7 Enter the amount from line 12 of your 2006 Form 8859	7			
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Part IV Tax Liability Limit

8 Enter the amount from Form 1040, line 44 or Form 1040NR, line 41	8			
9 1040 filers: Enter the total of any amounts from Form 1040, line 47 through 49; Form 5695, line 17; and Form 8196, line 13. 1040NR filers: Enter the total of any amounts from Form 1040NR, line 44; Form 5695, line 17; and Form 8196, line 13	9			
10 Subtract line 9 from line 8. If zero or less, enter -0- here and on line 13 and go to line 14	10			
11 Enter the amount from Form 6251, line 31	11			
12 Subtract line 11 from line 10. If zero or less, enter -0- here and on line 13 and go to line 14	12			
13 Current year credit. If you completed Part II, enter the smaller of line 6 or line 12. If you completed Part III, enter the smaller of line 7 or line 12. Also include this amount on Form 1040, line 54, or Form 1040NR, line 49. Check box b on that line	13			
14 Credit carryforward to 2008. Subtract line 13 from line 6 or line 7, whichever applies	14			

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Use Form 8859 to claim the District of Columbia first-time homebuyer credit.

Who Can Claim the Credit

In general, you can claim the credit if:

- You purchased a main home during 2007 in the District of Columbia, and
- You (and your spouse if married) did not own any other main home in the District of Columbia during the 1-year period ending on the date of purchase.

If you constructed your main home, you are treated as having purchased it on the date you first occupied it.

Your main home is the one you live in most of the time. It can be a house, houseboat, house trailer, cooperative apartment, condominium, or other type of residence.

However, you **cannot** claim the credit if any of the following apply.

- You acquired your home from certain related persons or by gift or inheritance. Related persons include, but are not limited to, your grandparents, parents, spouse, children, and grandchildren. For details, see section 1400C(e)(2).
- Your modified adjusted gross income (see the instructions for line 2) is \$90,000 or more (\$130,000 or more if married filing jointly).
- You previously claimed this credit for a different home.

Amount of the Credit

Generally, the credit is the smaller of:

- \$5,000 (\$2,500 if married filing separately), or
- The purchase price of the home.

The credit is phased out over a range that:

- Begins when your modified adjusted gross income exceeds \$70,000 (\$110,000 if married filing jointly), and
- Ends at \$90,000 (\$130,000 if married filing jointly).

Basis Reduction

You must reduce your basis in the home purchased by the amount of the tentative credit shown on line 6.

Specific Instructions

Line 1

If two or more unmarried individuals buy a main home, they can allocate the credit among the individual owners in any manner they choose. The total amount allocated cannot exceed \$5,000 (or the purchase price if it was less than \$5,000).

Line 2

If you file Form 1040, your modified adjusted gross income is the amount from Form 1040, line 38, increased by the total of any:

- Exclusion of income from Puerto Rico, and
- Amount from Form 2555, lines 45 and 50; Form 2555-EZ, line 18; and Form 4563, line 15.

If you file Form 1040NR, your modified adjusted gross income is the amount from Form 1040NR, line 36.

Line 14

Any unused credit shown on line 14 can be carried forward until it has been used. You cannot carry the unused credit back to prior years.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

