

Name(s) shown on return

Your social security number

Before You Begin:

- Figure the amounts of any of the following credits you are claiming: Mortgage interest credit, qualified plug-in electric and electric vehicle credit, alternative motor vehicle credit, qualified plug-in electric drive motor vehicle credit, and credit for the elderly or disabled.
- If you purchased your home after December 31, 2009, you may qualify for the refundable first-time homebuyer credit figured on Form 5405. If you qualify for that credit, you cannot take the District of Columbia first-time homebuyer credit.

Part I Tentative Credit and Credit Carryforward From 2009

1 Enter one of the following amounts: • The amount from the Tentative Credit Worksheet in the instructions. You must attach a statement showing the required information listed under <i>What To Attach to Your Return</i> . • The amount of your credit carryforward from line 12 of your 2009 Form 8859	1		
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Part II Tax Liability Limit

2 Limitation based on tax liability. Enter the amount from the Tax Liability Limit Worksheet in the instructions	2		
3 Current year credit. Enter the smaller of line 1 or line 2. Also include this amount on Form 1040, line 53, or Form 1040NR, line 50. Check box c on that line and enter "8859" in the space next to that box	3		
4 Credit carryforward to 2011. Subtract line 3 from line 1	4		

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 2010 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, housetrailer, cooperative apartment, condominium, or other type of residence.

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

- You purchased your main home in the District of Columbia after December 31, 2009, and you are eligible to claim the refundable first-time homebuyer credit figured on Form 5405.
- 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 (defined later) 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).

Allocating the credit. If you are married filing separately and the purchase price of the home is less than \$5,000, you can allocate the credit between you and your spouse using any reasonable method. The total amount allocated to each spouse cannot be more than the smaller of **(a)** \$2,500 or **(b)** the excess of the purchase price over the amount allocated to the other spouse on the other spouse's Form 8859, line 1.

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

Reasonable method. A reasonable method is any method that does not allocate all or a part of the credit to a co-owner who is not eligible to claim that part of the credit.

Modified Adjusted Gross Income

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 37.

Basis Reduction

You must reduce your basis in the home purchased by the amount of the tentative credit shown on line 1.

What To Attach to Your Return

If you purchased a main home during 2010 in the District of Columbia, you must attach a statement showing the following information from your settlement statement or deed:

- The address of the home qualifying for the credit (if different from the address shown on the return),
- Lot number,
- Square number, and
- Settlement or closing date.

You can provide this information on a separate sheet of paper or you can attach a copy of your properly executed Form HUD-1, Settlement Statement, or other closing documentation showing this information.

Specific Instructions

Line 1

Complete the Tentative Credit Worksheet if you purchased a main home during 2010 in the District of Columbia. Enter the amount from line 6 of the worksheet on line 1. If you are claiming a credit carryforward from 2009, enter the amount from line 12 of your 2009 Form 8859 on line 1.

Tentative Credit Worksheet—Line 1

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. (See *Allocating the credit* on page 1 if you are 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 *Allocating the credit* on page 1. **1.** _____
2. Enter your modified adjusted gross income (defined above) **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. Also enter this amount on line 1 of Form 8859. This is your tentative credit.
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**. Enter this amount on line 1 of Form 8859 **6.** _____

Line 2

Complete the following worksheet to determine the amount to enter on line 2 of Form 8859.

Tax Liability Limit Worksheet—Line 2

1. Enter the amount from Form 1040, line 46; or Form 1040NR, line 44 **1.** _____
2. **Form 1040 filers:** Enter the total of any amounts from Form 1040, lines 47 through 50; line 12 of the Line 11 Worksheet in Pub. 972*; Form 5695, line 11; Form 8396, line 9; Form 8834, line 22; Form 8910, line 21; Form 8936, line 14; and Schedule R (Form 1040A or 1040), line 22.
Form 1040NR filers: Enter the total of the amounts from Form 1040NR, lines 45 through 47; line 12 of the Line 11 Worksheet in Pub. 972*; Form 5695, line 11; Form 8396, line 9; Form 8834, line 22; Form 8910, line 21; and Form 8936, line 14 **2.** _____
3. Subtract line 2 from line 1. Enter this amount on Form 8859, line 2. If zero or less, enter -0- here and on Form 8859, lines 2 and 3 **3.** _____

*If you are not claiming the child tax credit, you do not need Pub. 972.

Line 4

Any unused credit shown on line 4 can be carried forward until it has been used. You cannot carry the unused credit back to prior years.