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## IRS Comes Under Fire for Housing Tax Credit

The tax credit for first time house buyers has rejuvenated the industry to some extent but it does have its own shortfalls. Its critics have labeled it a big money-waster. To lend weight to the accusation, the Treasury Department has produced an audit that shows the agency's inefficiency in administering crucial aspects of the program.

Under the terms of the ARRA (American Recovery and Reinvestment Act), those who signed a sale and purchase agreement to buy a home by April 30 and closed the deal by June 30 qualified for the home buyers credit. Those who qualified earned up to \$8,000 tax credit. You would receive up to \$8,000 if you were buying a principal home for the first time in more than three years. If you were moving to a new house, you may qualify for up to \$6,500. As at the end of February, the government had paid out about \$12.6 billion in home buyer's credit.

But according to the Treasury Department audit, the IRS could not accurately determine the year the actual claimants made their home purchases and if they occupied their homes as a principal residence. For example, the audit revealed that the IRS made errors in distinguishing between houses bought in 2008 and those bought in 2009. This is significant because if you bought a house for the first time in 2008, you would have earned up to \$7,500 in tax credits that must be repaid each year over 15 years.

On the other hand, house buyers in 2009 who had opted to claim a revised version of the credit that would have given you up to \$8,000 were not subject to the repayment requirement. The Treasury audit showed 73,119 taxpayers who received credits erroneously because the IRS had either incorrectly determined their purchase dates or

had not recorded their dates altogether. Here is data on some specific mistakes by the IRS:

59,802 house buyers who bought their homes in 2009 were recorded as having bought them in 2008. The reverse situation was also significant in number. 9,122 taxpayers who bought their homes in 2008 were mistakenly taken as having made their purchases in 2009. Due to the repayment requirement, the government could have lost nearly \$31 million in revenue.

Claim forms amounting to 4,195 either had no purchase date or showed purchases before 2008 and thus do not qualify for the housing credit but yet were processed and given credit. On the other hand, a further 514,987 applications for housing credit contained dates of purchases that 'cannot be verified' because the data was not 'captured' by the IRS computers.

With these kinds of irregularities, it is no wonder the IRS has come under heavy fire for their misadministration of the housing tax credit scheme.