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IRS Oops On First-Time Homeowner Credits

If you've just filed your tax return and paid the IRS—or even if you've gone on extension and written a check to the IRS—you don't want to hear about IRS missteps. You don't want to know who got money that shouldn't have. But this time of year is full of such stories, and this one is especially maddening.

It combines tax injustice with news about home-buying and government programs. So often, it seems, they just don't turn out well. The government encouraging home ownership was at least partially responsible for our current economic woes.

Our tax tale of woe concerns the IRS's vaunted first-time homeowner tax credit. Homebuyers who purchased a home in 2008, 2009, or 2010 were able to claim the first-time homebuyer tax credit for up to \$8,000 on their tax return. It was a refundable credit, meaning you could get money back. See [First-Time Homebuyer Credit Questions and Answers](#).

But here's what the [Treasury Inspector General for Tax Administration](#)—a kind of top watchdog—has found, and it's not a bed of roses. The Treasury watchdog's [report](#) says something is rotten. It turns out millions in [fraudulent](#) and erroneous refunds based on homebuyer credits were issued.

Plainly, stronger controls over claimed homebuyer credits are needed. Many of these refunds were issued to people who flatly didn't qualify for

the credit. In fact, of the roughly [\\$500 million](#) of credits issued to ineligible people, 128 of them were even IRS employees!

The abuse of refundable tax credits is [nothing new](#), of course. And it was debatable whether the first-time homebuyer credit in particular was a [good idea](#). However, one hopes such incentives are properly used, help people, and contribute to the tax system in a positive way. Reports like this confirm the suspicions many have that the system needs repair.

For more, see:

[IRS First-Time Homebuyer Credit](#)

[IRS Podcast on First-Time Homebuyer Credit](#)

[Homebuyer Credit Mistakes Rampant – Some Taxpayers Due Refunds](#)

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