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Information, Instructions Regarding Homebuyer Tax Credit Forthcoming

BIA San Diego is working with CBIA to secure all the necessary detail on the availability and use of the homebuyer tax credit, signed into law last Friday by Governor Schwarzenegger.

There are several issues related to the homebuyer tax credit that must be decided by the Franchise Tax Board (FTB), the state tax-control agency. CBIA is urging the FTB to act quickly, since the homebuyer tax credit takes effect this Saturday.

The pending FTB decisions include matters related to the timing and execution of sales, the law's certification requirements and allocation of the credits as well as any forms or procedures related thereto.

Meantime, several of you have asked whether the state homebuyer tax credit (up to \$10,000) and the federal credit (\$8,000) can be used together. The simple answer is yes, though there are conditions that must be satisfied:

- The state homebuyer tax credit applies only to new, previously unoccupied homes.
 - The federal tax credit is limited to first-time homebuyers, only.
 - The federal tax credit is also limited to individuals with annual incomes of \$75,000 (\$150,000 for dual filers).
- Both the state and the federal homebuyer tax credit require the purchaser to maintain occupancy of the home for a period of time following the purchase – two years for the state and three years for the federal credit. The tax credit must be repaid if the purchaser fails to meet these occupancy requirements.

So, a homebuyer who qualifies for both credits (up to \$18,000) must buy a new home; can't have owned one in the last three years; must have an individual annual income of \$75,000 or less; and must live in the home for at least three years. Also important to remember regarding the use of both credits is that the state homebuyer tax credit is paid out over three years (i.e. \$3,333 per year, based on a \$10,000 credit) whereas the federal credit is a one-time tax benefit.

IMPORTANT NOTE: It is recommended that because the authorizing statute places a cap on the amount of funding authority for the state homebuyer tax credit, that you include a disclaimer in your sales agreements indicating that there is a limited supply of the homebuyer tax credits and that you, the seller, are not responsible for their availability. CBIA is drafting sample language for this disclosure.

LINKS TO HELP YOU.....

[CLICK HERE FOR MORE INFO ON THE FEDERAL TAX CREDIT](#)

[CLICK HERE FOR MORE INFO ON THE STATE TAX CREDIT](#)

See Next Page for information on the State Home buyer Tax Credit



Home Buyer Tax Credit Passed by State Legislature

The homebuilder-sponsored state **homebuyer tax credit** passed the Legislature as part of a deal to close the \$42 billion hole in the state budget. Lawmakers and the Governor worked through the weekend to assemble a package that would attract the necessary three Republican votes in both the Senate and the Assembly. In the end, Senator Roy Ashburn (R-Bakersfield) announced to budget negotiators that he wouldn't vote for a budget deal that didn't have the homebuyer tax credit in it. Ultimately, Senator Ashburn's demands were met and the homebuyer tax credit passed both the Senate and the Assembly by overwhelming margins.

More detail on the homebuyer tax credit will be forthcoming, but the following provides a brief summary of what you can expect:

- . A tax credit of up to \$10,000 credit (5% of home price or \$10k, whichever is less) for the purchase of a newly constructed, previously unoccupied home.
- . Available March 1, 2009 and good until March 2010, or when funding authority runs out - whichever comes first (\$100 million was allocated to program).
- . Allocated by the state's Franchise Tax Board on a first-come, first-served basis (details still to be worked out).
- . Paid out to home purchasers over three tax years in equal amounts (i.e. \$3300 for 2009, \$3300 for 2010, etc.)
- . Purchasers must reside in the home for at least two years.
- . There are no income limitations that have to be met by purchasers.
- . There is no first-time homebuyer requirement.
- . There is no repayment requirement (unless the purchaser sells, rents out, etc before 2 years expire).

Getting the tax credit to be considered by state lawmakers and policy makers was an effort that began last fall.

