

## Home Buyer Credits - Fact Sheet



Both Federal and California tax laws have recently contained credit provisions for home buyers. Of course the rules for each jurisdiction are different, and more than a little confusing. Additionally, the Federal rules changed twice, creating three separate credits spanning a three year period. This fact sheet may help you navigate the issues surrounding the home buyer credits available. However, since these laws are complex, you should still consult your tax advisor before taking advantage of any of these tax provisions.

	<b>Federal Law (2010 Credit) (11/7/2009 - 4/30/2010)</b>	<b>Federal Law (2009 Credit) (1/1/2009 - 11/6/2009)</b>	<b>California Law</b>
<b>Who qualifies?</b>	<p>The definition of first-time buyer is the same as it was under the 2009 Federal Credit rules, except for the 2010 Credit, the purchaser must be at least 18 years old on the date of purchase, and cannot be the dependent of another.</p> <p>Additionally, a "long-time" resident of the same home can now qualify for the credit. A "long-time" resident is an individual who has lived in the same principal residence for any five consecutive year period during the eight year period that ended on the date the new home is purchased, provided that the settlement date is after November 6, 2009.</p>	<p>Any buyer who has not owned a principal residence during the three- year period prior to the purchase.</p> <p>For married taxpayers, both spouses must fit this definition. If one has owned a home in the past three years, then neither spouse qualifies for the credit. It cannot be pro rated between the spouses.</p> <p>For unmarried joint purchasers (i.e. a parent and child jointly purchasing a home) the credit may be allocated to any buyer who qualifies.</p> <p>Ownership of a rental property or vacation home not used as a principal residence does not disqualify a buyer from taking the credit.</p>	<p>Any buyer who purchases a single-family residence, <b>that has never been occupied</b>, and is purchased to be their principal residence.</p> <p>Special rules apply to married taxpayers and registered domestic partners (RDPs) filing separately, in which each spouse is entitled to one-half of the credit, even if their ownership percentages are not equal.</p> <p>For unmarried joint purchasers who are not RDPs, the credit amount will be allocated by the FTB in the allocation letter. See procedures for claiming the credit below.</p>

	(11/7/2009 - 4/30/2010)	(1/1/2009 - 11/6/2009)	California Law
<b>What constitutes a qualifying principal residence?</b>	Any residence used as a taxpayer's main home, including single-family detached homes, attached townhouses and condominiums, manufactured homes, mobile homes, houseboats, and co-op units. The purchase price of the home cannot exceed \$800,000.	Any residence used as a taxpayer's main home, including single-family detached homes, attached townhouses and condominiums, manufactured homes, mobile homes, houseboats, and co-op units.	Any residence used as a taxpayer's main home, <b>THAT HAS NEVER BEEN PREVIOUSLY OCCUPIED</b> , including single-family detached homes, attached townhouses and condominiums, manufactured homes, mobile homes, houseboats, and co-op units.
<b>Does owner-constructed property qualify for the credit?</b>	Yes. The rules are the same as those for the 2009 Credit, except the total "purchase" price cannot exceed \$800,000.	Yes. For purposes of the credit, a principal residence that is constructed by the home owner is treated as having been "purchased" on the date the owner first occupies the house.	No. Since the home was never "purchased," it does not qualify for the credit.
<b>When must the property be purchased to qualify for the credit?</b>	A binding contract must be entered after November 6, 2009, but no later than April 30, 2010. The buyer has until June 30, 2010 to settle on the purchase.	On or after January 1, 2009 through November 6, 2009.	On or after March 1, 2009 and before March 1, 2010.
<b>What is the amount of the credit?</b>	The lesser of 10% of a home's purchase price or \$8,000 for first-time home buyers, and the lesser of 10% of the purchase price or \$6,500 for long-term resident buyers.	The lesser of 10% of a home's purchase price or \$8,000.	The lesser of 5% of a home's purchase price or \$10,000, applied in equal amounts over three years (maximum of \$3,333 per year).
<b>Is the credit refundable?</b>	Yes, which means that the credit can be claimed, even if there is little or no tax liability to offset.	Yes, which means that the credit can be claimed, even if there is little or no tax liability to offset.	No, which means to take advantage of this credit, the home buyer must have a tax liability equal to or greater than the amount of the credit.
<b>Can any unused credits be carried over?</b>	Not applicable, as the credit is a refundable credit. See above.	Not applicable, as the credit is a refundable credit. See above.	No
<b>Are there any income limits for claiming the credit?</b>	Yes. Reduction of the credit begins for taxpayers with modified adjusted gross income of:  Single Taxpayers: \$125,000 Married Filing Joint: \$225,000  and is fully reduced to \$0 when MAGI exceeds:  Single Taxpayers: \$145,000 Married Filing Joint: \$245,000	Yes. Reduction of the credit begins for taxpayers with modified adjusted gross income of:  Single Taxpayers: \$75,000 Married Filing Joint: \$150,000  and is fully reduced to \$0 when MAGI exceeds:  Single Taxpayers: \$95,000 Married Filing Joint: \$170,000	No income limits, but the availability of the credit itself is limited to a total of \$100,000,000 state-wide, and are being granted on a "first-come first-served" basis. See more information on "How is the credit claimed?" below.

	(11/7/2009 - 4/30/2010)	(1/1/2009 - 11/6/2009)	California Law
<b>Does this credit have to be repaid?</b>	No. The rules are the same as those for the 2009 Credit.	No. Unlike the Federal tax credit enacted in July of 2008, this credit does not need to be repaid. However, the credit is subject to repayment if the required occupancy period is not met. See additional information below.	Not in general, but the credit is subject to repayment if the required occupancy period is not met. See additional information below.
<b>Is there a required occupancy period?</b>	Yes. The rules are the same as those for the 2009 Credit.	Property must be used as a principal residence for the <b>three years</b> immediately following the purchase date.	Property must be used as a principal residence for the <b>two years</b> immediately following the purchase date.
<b>What if the required occupancy period is not met?</b>	The credit will have to be "recaptured" (paid back) in the year of sale.	The credit will have to be "recaptured" (paid back) in the year of sale.	The credit will have to be "recaptured" (paid back) in the year of sale.
<b>In which tax year can claim the credit??</b>	For qualifying purchases in 2010, you can claim the credit on your 2009 or 2010 tax return. Consult a tax advisor to determine which year yields the largest benefit for your specific situation.	You can claim the credit on your 2008 or 2009 tax return. Consult a tax advisor to determine which year yields the largest benefit for your specific situation.	No
<b>Can the credit be claimed on an amended return?</b>	Yes	Yes	No
<b>How is the credit claimed?</b>	The credit is claimed on your Federal tax return. Home buyers must complete revised Form 5405 to determine the amount of the credit. Homebuyers who claim this credit will not be able to electronically file, and instead will need to file a paper copy of their return, as there documentation requirements. Additionally, the purchase must be complete to claim the credit. Intended future purchases do not qualify.	The credit is claimed on your Federal tax return. Home buyers must complete Form 5405 to determine the amount of the credit, then claim this amount on line 69 of their Form 1040. No other applications or forms are required, and no pre-approval is necessary. However, the purchase must be complete to claim the credit. Intended future purchases do not qualify.	The state has allocated \$100,000,000 towards this credit. Once the allocated amount is used up, the credit will no longer be available. Within one week (seven calendar days) after the close of escrow, the SELLER must complete Form 3528-A, Part I, Application for New Home Credit, certifying that the home has never been occupied. A copy must then be provided to the buyer or escrow agent. The BUYER will then complete Form 3528-A, Parts II and III. the escrow agent will then fax the completed Form 3528-A to the FTB and provide a copy to the buyer.  Fax is the ONLY acceptable method of delivery of the application. The form cannot be faxed before escrow closes.

**How is the credit  
claimed? (continued  
from previous page)**

The FTB will process and review the applications on a "first-come, first-served" basis, and the buyer will receive a notification of credit allocation directly from the FTB, which will state the amount of credit that can be claimed listed by tax year.  
The buyer must then claim the credit on an original, timely filed return, including extensions.

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This fact sheet was intended to provide general answers to commonly asked questions. Before taking advantage of these credits, we recommend that you consult your tax advisor to make sure that you are eligible and that the credit claimed is the maximum allowed under law. If you don't have a tax advisor, one of our tax professionals would be happy to assist you. Information on the 2008 Federal Credit has not been included in this fact sheet. If you need information on the 2008 Federal Credit, contact our office, and one of our tax professionals will gladly provide it.



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