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## **CALIFORNIA NEW HOME & FIRST-TIME HOMEBUYER CREDITS**

By Victor Sy, CPA

### Basics:

- A modified version of last year's New Home Credit provides two types of California credits for:
  1. **First-time** homebuyers, and
  2. Taxpayers buying **homes that have never been occupied**.
- Credit is equal to the **lesser of 5% of the purchase price or \$10,000**.
- You can qualify for a credit of up to **\$10,000** either as a first-time buyer or as a new-home buyer, but not both.
- Purchase of a "qualified principal residence" must be made between May 1, 2010 and December 31, 2010.
- Period is **extended to August 1, 2011** if your open escrow cannot close by December 31, 2010.
- Apply the credit in equal amounts over **three successive taxable years**.
- Each credit has a \$100 million cap.
- FTB will award credits to taxpayers on a **first-come, first-served basis**.
- The credit is **not refundable**, will not reduce AMT, and cannot be carried over.
- There is **no phaseout** (meaning no income limitation) for this credit.

Definition: "Qualified principal residence" means a single-family residence (attached or detached) that:

- Is purchased as your **principal residence for a minimum of two years**;
- Is eligible for the property tax homeowner's exemption.
- Has **never been occupied**, or is purchased by a **first-time homebuyer**.
- A first-time homebuyer is one who had no ownership in a principal residence for the prior three years.

### The credit will not be allowed if:

- You or your spouse is **related** to the seller; or you were **allowed a credit under the 2009 New Home Credit**.
- You are **not 18 or older** on the date of purchase; or you qualify as another taxpayer's dependent.

Certification required: Claim the credit within two weeks of the close of escrow. Submit to FTB copies of:

- A properly executed settlement statement,
- A certification by the seller for a home that has never been occupied,
- A certification by the taxpayer for a first-time homebuyer.

### How to Reserve The Credit:

- If you purchase a home that has never been occupied, reserve your credit **prior** to the close of escrow.
- This should eliminate the rush to close escrow prior to the credits being used up.
- You & seller may submit a certification that you entered into a contract between 5/1/10 & 12/31/10.

### Waiting List:

- Once the \$100 million limit is reached, FTB will maintain a waiting list with an order of priority.
- FTB will notify all taxpayers on the waiting list by December 31, 2011, if you will receive the credit.
- Take the credit on your original or amended 2010 returns.
- Note: There is **no** waiting list for taxpayers requesting a first-time homebuyer credit.

Status of Credits at 01/06/11: First-time Homebuyer Credit-no longer available, state stopped accepting applications, New Home Credit-still available.