

Homebuyer Tax Credit Approved in California's long awaited state Budget - Plus Federal Credit = \$18,000.00

The homebuilder-sponsored state tax credit passed the Legislature on Thurs, Feb 19, 2009 as part of a deal to close the \$42 billion hole in the state budget. SB 15XX (Ashburn), which contained CBIA's tax credit concept, was introduced only last Saturday as the Legislature entered the final stages of putting a budget deal together. 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.

Though greater details on the homebuyer tax credit will be forthcoming, the following provides a brief summary of what SB 15XX authorizes:

- 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). Translates in to the first 10,000 homes sold.
- 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).

How much is the state tax credit?

The state tax credit is for \$10,000 or 5 percent of the purchase price of a newly built home, whichever is less. The home must be the principal residence of the buyer, and the sale must close between March 1, 2009 and March 1, 2010.

How does the tax credit work?

The credit will be provided in equal amounts (up to \$3,333) per year, over three successive tax years, beginning with the year the purchase is made.

Will I receive the credit if I buy an existing home?

The credit is only for the purchase of a newly built home that has never been occupied. That is because building a new home generates more tax revenues than the credit will cost the state.

Are there any other restrictions?

The taxpayer must live in the home as their principal residence for at least two years. If he/she does not, he/she will have to repay the credit.

How much money is available under the program?

The law limits the total amount of credits that can be claimed to \$100 million. Credit reservations will be allowed on a first-come, first-served basis. It is likely that the full amount will be exhausted this year, so prospective buyers should move quickly.

Can the credit be used in conjunction with the recently enacted federal tax credit?

Yes. If you buy a new home between March 1 and Dec. 31 and are a first-time homebuyer, you can take advantage of both the \$10,000 state credit and the \$8,000 federal tax credit.