

To help stimulate home sales, both the federal and state governments are offering tax credits for Californians purchasing their piece of the American dream. Federal law offers up to \$8,000 for first-time homebuyers and \$6,500 for long-time residents. California law offers up to \$10,000 for first-time homebuyers or buyers of properties that have never been occupied. Here's a handy summary of the two tax credit laws:

<b>HOMEBUYER TAX CREDIT</b>	<b>FEDERAL</b>	<b>CALIFORNIA</b>
Amount of Tax Credit	10% of purchase price not to exceed \$8,000 for First-Time Homebuyers or \$6,500 for Long-Term Residents.	5% of purchase price, not to exceed \$10,000 for first-time homebuyers or buyers of properties that have never been occupied. (See also Maximum Credit for All Taxpayers.)
Date of Purchase	By June 30, 2010, but taxpayer must enter into a written binding contract by April 30, 2010.	From May 1, 2010 to July 31, 2011, but an enforceable contract must be executed by December 31, 2010.
Principal Residence	Yes. Property purchased must be the taxpayer's principal residence which is generally the home the taxpayer lives in most of the time (26 U.S.C. § 121).	Yes. Property purchased must be a qualified principal residence and eligible for the homeowner's exemption from property taxes (Cal. Tax & Rev. Code § 218).
Type of Property	House, condominium, townhome, manufactured home, apartment cooperative, houseboat, housetrailer, or other type of property located in the U.S.	Single-family residence, whether detached or attached.
Eligibility	1. First-Time Homebuyer: Up to \$8,000 if buyer (and buyer's spouse if any) has not owned a principal residence during the three-year period before date of purchase; OR 2. Long-Time Resident: Up to \$6,500 if buyer (and buyer's spouse if any) has owned and used existing home as a principal residence for 5 of	1. First-Time Homebuyer: Up to \$10,000 if the buyer (or buyer's spouse if any) has not owned a principal residence during the three-year period before date of purchase; OR 2. Never-Occupied Property: Up to \$10,000 for a principal residence if the property has never been previously occupied as certified by the seller.

	the last 8 years.	
Income Restriction	Yes. Tax credit begins to phase out for modified adjusted gross income (MAGI) over \$125,000 (or \$225,000 for joint filers). No tax credit at all for MAGI over \$145,000 (or \$245,000 for joint filers).	No
Maximum Purchase Price	\$800,000.	N/A
Refundable	Yes. Any amount of the tax credit not used to reduce the tax owed may be added to the taxpayer's tax refund check.	No
Repayment	No repayment required if the buyer owns and occupies the property for at least 36 months after purchase.	No repayment required if the buyer owns and occupies the property for at least two years immediately following the purchase.
Multiple Buyers (not married to each other)	Tax credit may be allocated between eligible taxpayers in any reasonable manner.	Tax credit must be allocated between eligible taxpayers based on their percentage of ownership.
Maximum Credit for All Taxpayers	N/A	\$100 million for first-time homebuyers and \$100 million for never-occupied properties, both on a first-come-first-served basis.
Reservations of Credit	N/A	Yes. Buyer may reserve credit before close of escrow for a property that has never been occupied by submitting a certification signed by buyer and seller stating they have entered into an enforceable contract between May 1, 2010 and December 31, 2010, inclusive.
When to Claim	Full tax credit may be claimed on 2009 or 2010 tax returns.	1/3 of total tax credit may be claimed each year for 3

		successive years (e.g. \$3,333 for 2010, \$3,333 for 2011, and \$3,333 for 2012).
Tax Agency	Internal Revenue Service (IRS).	Franchise Tax Board (FTB).
How to File	First-Time Homebuyer Credit and Repayment of the Credit (IRS Form 5405) to be filed with tax returns	Submit application to the FTB to obtain Certificate of Allocation. The FTB may prescribe additional rules and procedures to carry out this law.
Other Restrictions	Cannot be an acquisition from related persons as defined; cannot be an acquisition by gift or inheritance; and buyer cannot be a non resident alien.	Cannot be an acquisition from related persons as defined; buyer or spouse must be 18 years old; buyer cannot be another taxpayer's dependent; credit is allowed for only one qualified principal residence; and credit allowed cannot be a business credit under Cal. Tax & Rev. Code § 17039.2.
Legal Authority	26 U.S.C. section 36.	Cal. Rev. & Tax Code section 17059.1 (as added by Assembly Bill 183).

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