

New Home & First-Time Buyer Tax Credit

Completing Forms FTB 3549-A & FTB 3549-RR



California taxpayers can qualify for a First Time Homebuyer or New Home Tax Credit if they close on the purchase of a qualifying home between May 1, 2010 – August 1, 2011. Home buyers have to enter into an enforceable contract on or before December 31, 2010 and close before August 1, 2011 to qualify. The State has allocated \$100 million to fund the First Time Homebuyer credit and an additional \$100 million to fund the New Home Tax credit. The credits are on a first-come, first-serve basis. Certificates of Allocation will be issued to California taxpayers and home buyers until the total tax credit has been allocated or by August 1, 2011, whichever comes first.

In order to apply for a Certificate of Allocation, home buyers requesting a New Home Credit and/or a First Time Home Buyer Credit must complete Form FTB 3549-A. The completed Form must be faxed to the Franchise Tax Board (FTB) within 14 calendar days, not business days, after the close of escrow along with a copy of the executed settlement statement (buyer side HUD-1 or closing statement). The FTB will only accept Form FTB 3549-A via facsimile.

Faxing the Form and settlement statement is the ultimate obligation of the buyer, however, an escrow company can fax the Form on behalf of the buyer.

Certain requirements must be met in order for the buyer to qualify for these credits. Here's a brief explanation of some of the requirements for each of the tax credits:

NEW HOME CREDIT

The home must be a single family residence; either detached or attached which includes a condo, unit in a co-op, house boat or a manufactured home.

The seller must certify the home has never been occupied. The buyer must be eligible for the California property tax homeowner's exemption and occupy the property for at least the first two years from the close of escrow.

FIRST TIME HOME BUYER CREDIT

The home must be a single family residence; either detached or attached which includes a condo, unit in a co-op, house boat or a manufactured home.

The buyer must be eligible for the California property tax homeowner's exemption and occupy the property for at least the first two years from the close of escrow.

The credits are reserved for individual buyers, not taxable entities such as trusts and LLC's. First-Time Home Buyer Credit applies to home buyers who do not have ownership interest in a principal residence, either in or out of California, during the preceding 3 year period ending on the date of the purchase of the qualified principal residence.

RESERVATIONS

As the tax credits dwindle taxpayers can reserve their tax credit prior to closing by faxing a reservation request using Form FTB 3549-RR to the FTB. The request must be accompanied by the pages of the purchase and sale agreement which reflect the following information:

- Property address • Buyer's name • Seller's name
- Purchase price • Deposit amount • Buyer's signature
- Seller's signature

Taxpayers who reserve a tax credit still need to ensure an application and a copy of the settlement statement are faxed within 14 days after the close of escrow.

Forms and additional information regarding the tax credits can be found using the link below:

http://www.ftb.ca.gov/individuals/new_home_credit.shtml

