

## 2010 Tax Credit for New Home / First-Time Buyer

(If you are looking for more information regarding the 2009 New Home Credit, see [FTB Publication 3528, New Home Credit](#), or search using the "Forms & Publications" tab above.)

### Important Update (05/13/10): The 2010 New Home Credit and First-Time Buyer Credit begins May 1, 2010.

#### Fax delays

Due to the high volume of faxes we are receiving, you may experience some delays or difficulties in connecting to our fax number during normal business hours. It can take several minutes or possibly up to an hour to connect and transmit the fax. If you receive a busy signal, try again later. Check your fax confirmation to make sure all pages were transmitted successfully and keep a copy of the fax confirmation. Our fax number is open 24 hours a day so you may fax your application to us during non-business hours when the line is not so busy.

**Applying for the 2010 New Home/First-Time Buyer tax credits:** Applications must be faxed **after** escrow closes. We will deny the application if the 2009 form is used, we receive the 2010 application before May 1, 2010, or we receive the application before escrow closes. (Updated 04/28/10).

The New Home / First-Time Buyer Credits are available only for purchases that close escrow on or after May 1, 2010.

**Check this page often. We will add updates as they become available.**

**General Information:** These tax credits are available for taxpayers who purchase a qualified principal residence on or after May 1, 2010, and before January 1, 2011. Additionally, these tax credits are available for taxpayers who purchase a qualified principal residence on or after December 31, 2010, and before August 1, 2011, pursuant to an enforceable contract executed on or before December 31, 2010. The purchase date is defined as the date escrow closes. Taxpayers may apply for the tax credits if they have entered into a contract before May 1, 2010, as long as escrow closes on or after May 1, 2010. However, taxpayers may not request a New Home Credit reservation if they have entered into the contract before May 1, 2010. (Updated 04/28/10)

These tax credits are limited to the lesser of 5 percent of the purchase price or \$10,000 for a qualified principal residence. Taxpayers must apply the total tax credit in equal amounts over 3 successive tax years (maximum of \$3,333 per year) beginning with the tax year in which the home is purchased. The tax credits cannot reduce regular tax below tentative minimum tax (TMT). The tax credits are nonrefundable and unused credits cannot be carried over.

The total amount of allocated tax credit for all taxpayers may not exceed \$100 million for the New Home Credit and \$100 million for the First-Time Buyer Credit. However, since many taxpayers will not be able to utilize the entire tax credit, the legislation specifies that the \$100 million cap for the New Home Credit will be reduced by 70 percent of the tax credit allocated to each buyer and the \$100 million cap for the First-Time Buyer Credit will be reduced by 57 percent of the tax credit allocated to each buyer. For example, if a taxpayer is allocated \$10,000 for the New Home Credit, the \$100 million cap for the New Home Credit will only be reduced by \$7,000. If a taxpayer is allocated \$10,000 for the First-Time Buyer Credit, the \$100 million cap for the First-Time Buyer Credit will only be reduced by \$5,700. The 70 and 57 percent reductions do not impact the amount that can be claimed by the taxpayer.

We will allocate the tax credits on a first-come, first-served basis. We expect it to take 3-6 months to notify taxpayers after an application or reservation is received. We need to develop a computer system to capture, verify, reserve or allocate, issue letters, and track the credits. Please be patient and do not fax an application more than once. Since the First-Time Buyer Credit is expected to be used up very quickly, we will provide estimates, based on sampling, of the number of First-Time Buyer applications and the related credit amounts that we have received beginning May 6, 2010. This will allow First-Time Buyers to estimate whether they will be able to apply for the credit and allow us to determine when we have received enough applications to fully allocate the \$100 million and stop accepting First-Time Buyer applications. Since the New Home Credit is not expected to be used up as quickly, we will wait until approximately mid-July after our computer system is available to post information about the New Home Credit usage. (Updated 04/28/10)

Only one tax credit is allowed per taxpayer. If a taxpayer qualifies for both tax credits, the law specifies that we will allocate the amount under the New Home Credit.

Taxpayers will **not** be eligible for either tax credit if any of the following apply:

- The taxpayer was allowed a 2009 New Home Credit.
- The taxpayer is under 18 years old. (A taxpayer who is married as of the date of purchase will be considered to be 18 if the

spouse/registered domestic partner (RDP) of the taxpayer is 18 or older on the date of purchase.)

- ❑ The taxpayer or the taxpayer's spouse/RDP is related to the seller.
- ❑ The taxpayer qualifies as a dependent of any other taxpayer for the tax year of the purchase.

**New Home Credit:** A qualified principal residence, for purposes of the New Home Credit, must:

- ❑ Be a single family residence, either detached or attached. This can be a single family residence, a condominium, a unit in a cooperative project, a house boat, a manufactured home, or a mobile home. A home constructed by the taxpayer is not eligible since the home has not been "purchased."
- ❑ Have never been occupied. Sellers must certify that the home has never been occupied in order for a taxpayer to receive an allocation of the credit.
- ❑ Be eligible for the California property tax homeowner's exemption.
- ❑ Be occupied by the taxpayer as their principal residence for a minimum of 2 years immediately following the purchase.

**Tax credit allocation:**

- ❑ A Certificate of Allocation will not be issued if:
  - ❑ The seller does not certify the home has never been occupied.
  - ❑ We do not receive the application and a copy of the properly executed settlement statement within 2 weeks (14 calendar days) after the close of escrow, regardless of whether a reservation request was submitted.
  - ❑ We receive the application or reservation request after the total tax credits available have been allocated.
- ❑ FTB's determination may not be protested or appealed.

**Reserving a New Home Credit Before Escrow Closes:** Taxpayers who qualify for the **New Home Credit** may, but are not required to, request a reservation **prior** to the close of escrow. Reservations will become important as we near the \$100 million cap for homes that may not close escrow before the cap is reached, as a reservation will "hold the taxpayer's place in line" until 2 weeks after escrow closes. Taxpayers may only request a reservation if they have entered into an enforceable contract on or after May 1, 2010, and on or before December 31, 2010. Taxpayers may not reserve a credit if the contract was entered into before May 1, 2010. Taxpayers who only qualify for the **First-Time Buyer Credit** may **not** request a reservation.

Requesting or receiving a reservation **does not** guarantee the credit. An application must still be completed and faxed to FTB along with the final settlement statement within **two weeks after** the close of escrow. If a buyer requests a reservation and the purchase is cancelled, the buyer must notify FTB. (Updated 04/28/10)

**First-Time Buyer Credit:** A qualified principal residence, for purposes of the First-Time Buyer Credit, must:

- ❑ Be a single family residence, either detached or attached. This can be a single family residence, a condominium, a unit in a cooperative project, a house boat, a manufactured home, or a mobile home. A home constructed by the taxpayer is not eligible since the home has not been "purchased."
- ❑ Be eligible for the California property tax homeowner's exemption.
- ❑ Be occupied by the taxpayer as their principal residence for a minimum of 2 years immediately following the purchase.

A first-time buyer is any individual (and the individual's spouse/RDP, if married on the date of purchase) who did not have an 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. If the buyer is married on the date of purchase and either the buyer or the buyer's spouse/RDP had an ownership interest in a principal residence during the preceding 3 year period, the buyer does not qualify for the First-Time Buyer Credit even if the spouse/RDP is not going to be on title.

**Tax credit allocation:**

- ❑ A Certificate of Allocation will not be issued if:
  - ❑ We do not receive the application and a copy of the properly executed settlement statement within 2 weeks (14 calendar days) after the close of escrow.
  - ❑ We receive the application after the total tax credits available have been allocated.
- ❑ FTB's determination may not be protested or appealed.

**Estimated applications received for First-Time Buyer Credit as of 05/25/10 (Updated 05/27/10)**

The figures shown below are only estimates, based on small samples. The numbers are overstated as there will be duplicate, revised, and invalid applications included as we have not verified any of the applications. These estimates are only provided to give a general idea of the number of applications received and the amount requested for the First-Time Buyer Credit. We are showing 57% of the estimated requested credit since the \$100 million cap will only be reduced by 57% of the credit allocated to the buyer. The amounts do not reflect actual amounts which will be allocated. These estimates will be updated each Thursday until we are sure that we have received more than enough applications to allocate the full \$100 million. Once we determine that we have received sufficient applications to allocate the full \$100 million, we will stop accepting applications for the First-Time Buyer Credit. Estimates for the New Home Credit will be provided once our computer system is completed.

**Applications for First-Time Buyer Credit received as of 06/01/10**

As of	Estimated Total First-Time Buyer Applications Received	57% of Estimated Requested Credit
05/04/10	430	\$ 2,351,000
05/11/10	2,470	\$ 13,283,000
05/18/10	4,830	\$ 25,473,000
05/25/10	7,330	\$ 38,357,000
06/01/10	9,760	\$ 50,948,000

## How to apply (Updated 04/28/10)

**Applications:** We will accept applications **by fax only** beginning May 1, 2010. Do **not** use the 2009 application. Applications received before May 1, 2010, or before escrow closes will be denied.

- ☐ Within two weeks (14 calendar days) **after** the close of escrow:
  - ☐ The seller must complete Parts II, III, and also Part IV (if the home has never been occupied) of **Form 3549-A**, Application for New Home / First-Time Buyer Credit, and provide a copy to the buyer or escrow person.
  - ☐ The buyer will complete Parts I, V & VI of **Form 3549-A**.
  - ☐ Fax the completed Form 3549-A and the final settlement statement (generally the buyer's HUD-1 statement) to FTB at **916.855.5577**. It is best that the escrow company, on behalf of the buyer, fax the completed application and settlement statement to FTB and provide a copy to the buyer. (The buyer retains ultimate responsibility to ensure the completed application and settlement statement are submitted timely to the FTB.)
- ☐ **Fax is the only delivery method** that will be accepted and considered for credit allocation by FTB, as the date and time stamp on the fax will determine the order in which credits are allocated. Check the fax confirmation to make sure you sent it to the correct fax number. The date and time applications are received may not be reviewed in any administrative or judicial proceeding.
- ☐ Fax only one completed application per residence with all qualified buyers listed. Do not include information on nonqualified buyers. An incomplete application may delay or prevent credit allocation.
- ☐ Do not fax the application to FTB before escrow closes.
- ☐ Do not fax the application to FTB more than once. We will process the applications in the order received as quickly as possible.
- ☐ Only send one application per fax transmission. Including more than one application in the fax transmission will cause delay and may even cause an application to be skipped.
- ☐ The buyer keeps a copy of the completed Form 3549-A for their records.
- ☐ Please use the online fillable Form 3549-A. Simply fill in all required information, print the form, and sign. If you fill out any portion of the form by hand, please print as clearly and neatly as possible using CAPITAL LETTERS and stay between the lines as the faxes can be very hard to read.

**Reservation Requests:** We will accept reservation requests for the New Home Credit **by fax only** beginning May 1, 2010. If you are applying for the First-Time Buyer Credit, you will **not** be able to request a reservation before escrow closes. Reservation requests received before May 1, 2010, or after escrow closes will be denied.

- ☐ If a buyer wishes to request a reservation, **before** the close of escrow:
  - ☐ The seller must complete Parts I, II, & III of **Form 3549-RR**, Reservation Request for New Home Credit.
  - ☐ The buyer completes Parts IV & V.
  - ☐ Fax the completed Form 3549-RR and the required pages of the purchase agreement to FTB at **916.855.5577**. If escrow has opened, it is best for the escrow person, on behalf of the buyer and seller, to fax the completed Form 3549-RR and the required pages of the purchase agreement to FTB and provide a copy to the buyer. If escrow has not opened, the buyer may fax it to FTB. (The buyer retains ultimate responsibility to ensure the completed reservation request and the required pages of the purchase agreement are submitted timely to the FTB.)
  - ☐ Do not fax the entire purchase agreement. Only fax the pages which show:
    - ☐ Property address
    - ☐ Buyer's name
    - ☐ Seller's name
    - ☐ Purchase price
    - ☐ Deposit amount
    - ☐ Buyer's signature
    - ☐ Seller's signature
- ☐ **Fax is the only delivery method** that will be accepted and considered for credit reservation by FTB, as the date and time stamp on the fax will determine the order in which credits are reserved. Check the fax confirmation to make sure you sent it to the correct fax number. The date and time reservation requests are received may not be reviewed in any administrative or judicial proceeding.
- ☐ Fax only one completed reservation request per residence with all qualified buyers listed. Do not include information on nonqualified buyers. An incomplete request may delay or prevent the reservation.
- ☐ Do not fax the reservation request if the contract was entered into before May 1, 2010.
- ☐ Do not fax the reservation request to FTB after escrow closes or with the application (Form 3549-A).
- ☐ Do not fax the reservation request to FTB more than once. We will process the requests in the order received as quickly as possible.
- ☐ Only send one reservation request per fax transmission. Including more than one request in the fax transmission will cause

delay and may even cause a request to be skipped.

- ☐ The buyer keeps a copy of the completed Form 3549-RR for their records.
- ☐ **Please use the online** fillable Form 3549-RR. Simply fill in all required information, print the form, and sign. If you fill out any portion of the form by hand, please print as clearly and neatly as possible using CAPITAL LETTERS and stay between the lines as the faxes can be very hard to read.

#### Claiming the tax credit:

- ☐ The taxpayer must receive a Certificate of Allocation from us to claim the tax credit on their California personal income tax return. The Certificate of Allocation will state the maximum amount the taxpayer can claim listed by tax year.
- ☐ The taxpayer should refer to the 2010 New Home / First-Time Buyer Credit Publication for instructions on claiming the tax credit (the publication will be available after December 15, 2010).
- ☐ Special rules apply to married/RDP taxpayers filing separately, in which case each spouse/RDP is entitled to one-half of the tax credit, even if their ownership percentages are not equal. For 2 or more taxpayers who are not married/RDP, the tax credit amount will have already been allocated to each taxpayer occupying the residence on their respective tax credit allocation letter.
- ☐ If the available tax credit exceeds the current year net tax, the unused tax credit may **not** be carried over to the following tax year.
- ☐ The tax credit may not reduce regular tax below TMT.
- ☐ The tax credit is **not** refundable.
- ☐ Any disallowance of the tax credit may not be protested or appealed.

#### More Information

- ☐ [New Home / First-Time Buyer Frequently Asked Questions](#) (Updated 06/03/10)

#### Contact Us:

- ☐ 888.792.4900 (press 1)
- ☐ 916.845.4900 (not toll-free)

Email: [wscs.gen@ftb.ca.gov](mailto:wscs.gen@ftb.ca.gov)

This is not a secure email address. Please do not send confidential information.

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