



Window quickly closing on California home- buyer tax credit

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Just as Congress approved a three-month closing-date extension for first-time buyers applying for federal tax credits -- a program responsible for big spikes in home sales this spring -- California announced that its most popular tax credit program is rapidly reaching the application limit.

As of June 29, the state already had received first-time buyer applications totaling more than the \$100 million allotment--about 21,000 applications--according to the state's [Franchise Tax Board](#). The good news is that the board is accepting at least 28,000 applications, knowing that a number of duplicate, revised or invalid applications will be denied.

The tax credit is allocated on a first-come, first served basis, based on the time and date stamped on the faxed application. Applications must be faxed *after* escrow closes. The tax board will post the cutoff date for applications on its website 24 hours prior to its going into effect, so applicants have time to fax their documentation. Legislation for the two tax-credit programs--each funded with \$100 million -- passed in March. The programs extend a \$10,000 tax credit to first-time buyers purchasing homes between May 1 and Dec. 31, or newly built home purchases after May 1, 2010 and before August 1, 2011. As of June 29, only \$50.1 million of the tax credits had been claimed or reserved for the new-

home credit program. That makes sense since U.S. new-home sales plunged 33% in May, the largest monthly drop on record. The drop is attributed to a decline in construction spending and the expiration of the federal home buyers' tax credit.

The amount of the California tax credit is equal to 5% of the home's purchase price up to \$10,000. The tax credit must be used over three successive tax years, beginning the year in which the house was purchased, or \$3,333 in tax credits per year. Portions of the tax credit not used by the home buyer will not roll over, nor are they refundable.

Needless to say, tax credit programs are popular.

"Our loan closings on purchases from April to May increased 70% in all of California, and 68% in Orange County," says John J. Reed, [MetLife Home Loans'](#) area director for Orange County. Nationally, May sales of previously purchased homes tumbled 30%, reflecting the impact of government home-buying incentives.

But Californians need to be aware that the state's programs aren't endless and funds will dry up quickly. "There is urgency now," says Reed. "If a first-time buyer is on the fence, we're letting them know they have to get registered as soon as possible."

Who is eligible for these programs? For the first-time buyer program, those who haven't owned a home in California for three years prior to the purchase date. The home must be an attached or detached single-family residence, and must be eligible for the state's homeowners' property tax exemption. You must occupy the home for two years immediately after the purchase.

If you're applying for the new-home credit, the building may be a single-family home or condo that has never been occupied. The same tax-exemption eligibility rules apply. You are ineligible for the programs if you received a new-home tax credit in 2009 or if you or your spouse is related to the seller. Also, no dice if you're under 18 years old. You may [apply](#) for only one of the programs, not both.

California isn't the only state with a tax credit program. New Jersey's legislature recently approved \$100 million in tax credits for home buyers purchasing a new or existing home. The bill provides tax breaks up to \$15,000 or 5% of the selling price, whichever is less. The programs work. The economy can use all the help it can get.

Read more: <http://www.walletpop.com/blog/2010/07/02/window-quickly-closing-on-california-home-buyer-tax-credit/#ixzz0t1nrGAt>