
**UPDATED - New \$10,000 California Homebuyer Tax Credit Signed by Governor With
Guidance by the Franchise Tax Board**

On March 25, 2010, Governor Arnold Schwarzenegger signed California Assembly Bill 183, which provides a new tax credit for homebuyers. This program is distinct from the 2009 program. Below are some highlights of the new program:

- AB 183 provides an additional \$200 million in tax credits (\$100 million for newly constructed homes and \$100 million for first-time homebuyers of either newly constructed or existing homes).
- There are no buyer income restrictions in the new program.
- The tax credit is available to eligible buyers who close escrow for the purchase of the home on or after May 1, 2010 and before August 1, 2011 under a contract signed on or before December 31, 2010.
- Qualified buyers are eligible to receive a tax credit in the amount of 5% of the home's purchase price, up to \$10,000, spread equally over three successive tax years if they live in the home as their principal residence for at least two years immediately following the purchase.
- On and after May 1, 2010, buyers of new homes may, but are not required to, reserve the tax credit before the close of escrow. To reserve the credit, the buyer and seller must jointly sign and submit to the California Franchise Tax Board ("FTB") a certification that they signed a sales contract on or after May 1, 2010 and on or before December 31, 2010. The FTB has stated that it will require a copy of the signed contract to be included with the reservation request.
- To claim the tax credit, whether or not it has been reserved, within two weeks after the close of escrow the buyer must provide to the FTB a copy of the signed settlement statement and either of the following: (1) for new homes, a certification by the seller that the residence has never been occupied, or (2) for first-time homebuyers, a certification from the buyer that he or she is a first-time homebuyer.

Any information provided by sellers to homebuyers about this new program must be carefully drafted to comply with the law and to provide the seller with the appropriate protections.

The FTB has posted additional information on reserving and claiming a tax credit under the new program on its website: http://www.ftb.ca.gov/individuals/New_Home_Credit.shtml.

The text of Assembly Bill 183 can be viewed at:
http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0151-0200/ab_183_bill_20100325_chaptered.html.

If you have any questions or would like to know more about this new law, please contact any member of the Luce Forward's Common Interest Development Group.