

SPECIAL
POINTS OF
INTEREST:

- New first-time credit of \$8,000 for new homeowners
- \$10,000 for homebuyers in California
- Calif plan, new homes only
- 2 yrs min occupancy for CA, 3 yrs in Fed plan

SACRAMENTO

Ph: 916.675.1177

Fx: 916.405.4470

BAY AREA

Ph: 925.706.9700

Fx: 510.217.4433

HOUSTON

Ph: 713.952.6092

Fx: 281.668.5002

Can \$18,000 Credit Make You Buy?

The housing market has turned into a freebie where buyers are in demand to take advantage of offers as they come to them in form of free money from the government.

Let us first look at the Federal plan and how it works. For first-time homebuyers, they can claim a credit worth \$8,000 or 10% of the home's value, whichever is less on their 2008 or 2009 taxes. It is a true credit, meaning homebuyers see a refund of the full \$8,000 even if their total tax bill is less than the refund. For instance, if you paid Uncle Sam \$5,000 through regular deductions from your income, and that actually pays off your annual tax debt to the government, your refund is a full \$8,000. However, if your payment of \$5,000 to Uncle Sam is short by \$2,000, you will get \$6,000, while, if you overpaid by \$2,000, you will get \$10,000. To qualify, one must;

- Buy the house between Jan. 1, 2009 and Nov. 30, 2009.
- The homebuyer must be a first-time homeowner, meaning you may not have owned a home for the past

three years.

- The homebuyers must also live in the house for at least three years, or they will refund all of the credit
- You must earn less than \$75,000 for singles or \$150,000 for couples; however, higher-income buyers may receive a partial credit.

To apply for the credit, file your taxes as you normally do, and claim it on your return. Taxpayers who have already completed their 2008 returns can file amended returns to claim the credit.

Unfortunately, this does not address first-time homebuyers struggling to come up with down payments. The National Association of Realtors estimates that 300,000 new homebuyers will enter the market due to this regulation.

Now the State of California inducement. The state recently made \$100 million available to jolt the housing market, and a jolt it is. Here is how this one works;

- The plan will run between March 1, 2009 and March

1, 2010, but the key is it is first come, first serve.

- The total credit is \$10,000 or 5% of the home price.
- You must purchase a home that has never been occupied.
- It must be occupied by the buyer for at least two years.
- Any principal residence which is a single family residence, condominium, a cooperative unit, houseboat, a manufactured home, or a mobile home is eligible.
- However, owner-built property does not qualify, since it is not purchased.
- The Buyer must receive allocation of credit to qualify, so apply early.
- Apply the credit for three successive taxable years for a maximum of \$3,333 per year, beginning with the taxable year 2009 or 2010 (the year the new home is purchased)

Interestingly, over \$25m of this amount is already allocated, so it may be gone before October.

Check out how to apply here www.washingtonreal.com/buyCA

-Al Som-Anyu, MBA, Broker

