



# FTB Publication 3549

# New Home/ First-Time Buyer Credit



## INTERNET ASSISTANCE

[ftb.ca.gov](http://ftb.ca.gov)

Our website provides the information you need to complete your tax return.

- View your payments, balance due, wage and withholding information, and FTB-issued Forms 1099 on MyFTB Account.
- Pay your personal income taxes online using Web Pay. You choose the payment date, up to one year in advance.
- Download tax forms and publications.
- e-file your personal income tax return using CalFile.
- Check the status of your refund.
- Apply to make monthly tax payments using Installment Agreement Request.
- Access FTB legal notices, rulings, and regulations.
- Review FTB's analysis of pending legislation.
- Sign up to receive emails on a variety of tax topics through our Subscription Services.
- View internal procedure manuals to learn how we administer the law.

## Contents

General Information . . . . .	1
Credit Requirements . . . . .	2
Credit Allocation Process . . . . .	2
Claiming the Credit . . . . .	2
Limitations . . . . .	3
Definitions . . . . .	3
Credit Recapture . . . . .	3
Additional Information . . . . .	4

## What's New

The New Home/First-Time Buyer Credits of 2010 are available for taxpayers who purchase a qualified principal residence on or after May 1, 2010, and on or before December 31, 2010.

Additionally, the New Home Credit is available for taxpayers who purchase a qualified principal residence on or after January 1, 2011, and before August 1, 2011, pursuant to an enforceable contract executed on or before December 31, 2010.

Taxpayers are only allowed one credit. If a taxpayer qualifies for both the New Home Credit and the First-Time Buyer Credit, the taxpayer will receive the New Home Credit. Each credit is the lesser of five percent of the purchase price of the qualified principal residence or ten thousand dollars (\$10,000).

Taxpayers may only claim a credit on their tax return if they received a Certificate of Allocation from FTB. The credits are claimed over three consecutive years, in equal amounts, against net tax. They are not refundable, and there is no carryover provision.

**Example:** If the taxpayer's credit for the taxable year is \$3,333, and the tax liability is \$300, the taxpayer may only use \$300 of the credit and the unused credit may not be refunded or carried over to the following year.

The total allocation amount for each credit is capped at \$100 million for a total of \$200 million between the two credits. Once the \$100 million cap has been reached, we will no longer accept applications for that credit.

**Reservations:** Taxpayers who qualified for the New Home Credit could, but were not required to, reserve a tax credit prior to the close of escrow. Taxpayers could only request a reservation if they entered into an enforceable contract on or after May 1, 2010, and on or before December 31, 2010.

## General Information

Each credit is the lesser of five percent of the purchase price of the qualified principal residence or ten thousand dollars (\$10,000). The credits are claimed over three consecutive years, in equal amounts, against net tax. They are not refundable, and there is no carryover provision.

The credits:

- Are for the purchase of only one qualified principal residence with respect to any taxpayer.

- Shall be claimed only on a timely filed original tax return, including returns filed on extension. Exception: Taxpayers who purchased a qualified principal residence in 2010, but do not receive their Certificate of Allocation for the New Home Credit until after filing their 2010 tax return may claim the credit on an amended 2010 income tax return.
- Will be applied in equal amounts over the three successive taxable years beginning with the taxable year in which the purchase of the qualified principal residence is made (maximum of \$3,333 per year).

A credit will **not** be allocated if any of the following apply:

#### For Both Credits:

- The taxpayer does not intend to occupy the home as his/her principal residence for at least two years immediately following the purchase.
- The taxpayer was allowed a 2009 New Home Credit. For 2009 New Home Credit, see FTB Pub. 3528, New Home Credit.
- The taxpayer is under 18 years old.
- The taxpayer qualifies as a dependent of any other taxpayer for the taxable year of the purchase.
- The application and copy of the properly executed settlement statement are not received within **two weeks after** escrow closes.
- The application is received before escrow closes.

#### For the New Home Credit

- The seller did not certify that the residence has never been occupied.

#### For the First-Time Buyer Credit

- The buyer or the buyer's spouse/RDP, regardless of whether the spouse will be on title, had an ownership interest in a principal residence during the preceding three-year period.
- The taxpayer or taxpayer's spouse/RDP is related to the seller.
- The buyer(s) did not certify that he or she is a first-time home buyer.

The Franchise Tax Board (FTB) may request documentation to ensure the parties have complied with the requirements of the credit under California Revenue and Taxation Code (R&TC) Section 17059.

**Registered Domestic Partner (RDP)** – For purposes of California income tax, references to a spouse, husband, or wife also refer to a California RDP, unless otherwise specified.

## Credit Requirements

- The home must be a "qualified principal residence". The home must:
  - Be a single-family residence, whether detached or attached.
  - Never have been occupied. (This applies for the New Home Credit)
  - Be eligible for the property tax homeowner's exemption.
  - Be occupied by the buyer as their principal residence for a minimum of two years immediately following the purchase.

- The total credit reported by all of the owners over three successive years must not exceed \$10,000. (Multiple qualified buyers that occupy the home are allocated the credit based on the amount paid and their percentage of ownership.)
- Any credit that reduced tax on a tax return must be recaptured if the buyer does not occupy the home for at least two years immediately following the purchase date.
- The FTB may request documentation to ensure buyers have complied with the requirements of the credit.

## Credit Allocation Process

The FTB accepted, by fax only, form FTB 3549-A, Application for New Home/First-time Buyer Credit beginning May 1, 2010. For more information about these credits, go to [ftb.ca.gov](http://ftb.ca.gov) and search for **new home** to determine if FTB is still accepting applications and reservations or processing applications for either credit.

#### Questions

- **Accepted credit application:** Contact Withholding Services and Compliance at:

**888.792.4900** (press 1)

**916.845.4900**

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.

- **General Information:** See page 4, General Phone Service.

## Claiming the Credit

- **You must have received a Certificate of Allocation from the FTB to claim the credit.**
- The buyer must claim the credit on an original timely filed tax return, including tax returns filed on an extension. **Exception:** Taxpayers who purchased a qualified principal residence in 2010 and received their Certificate of Allocation for the New Home Credit after filing their 2010 tax return, may claim the credit on an amended income tax return for that taxable year.
- The credit is claimed over three years. The amount you may claim for each year is shown on your Certificate of Allocation.
- Report the credit on Form 540, California Resident Income Tax Return, or Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. Follow the instructions for Form 540 or Long Form 540NR, "Special Credits and Nonrefundable Renter's Credit". Use credit code number **221** for the New Home Credit. Use credit code number **222** for the First-Time Buyer Credit. **Do not** attach the credit certificate to the tax return.
- Special rules apply to married/RDP taxpayers filing separately, in which case each spouse/RDP is entitled to one-half of the credit, even if their ownership percentages are not equal.
- If you are married/RDP filing a joint tax return, and each of you received a separate Certificate of Allocation for the property you are now living in, combine the amounts from both certificates.

- For two or more taxpayers who are not married/RDP, the credit amount is allocated to each taxpayer occupying the residence on their respective Certificate of Allocation.
- If the available credit exceeds the current year net tax, the unused credit cannot be refunded or carried over to the following year.
- If you did not move into the home as your principal residence immediately following purchasing the home, you do not qualify. **Do not** claim the credit, even if you have a Certificate of Allocation.
- If you do not live in the home as your qualified principal residence for at least two years immediately following the purchase, any remaining unapplied credit is canceled and any previously applied credit must be recaptured.

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## Limitations

The credit cannot reduce regular tax below the tentative minimum tax (TMT). Get Schedule P (540 or 540NR), Alternative Minimum Tax and Credit Limitations, for more information. This credit cannot be carried over. **This credit is nonrefundable.**

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## Definitions

A “New Home Credit” is a credit for a home that has never been occupied.

A “First-Time Buyer Credit” is a credit for a first-time buyer (as defined below) who is buying a home that has been previously occupied.

A “First-Time Buyer” is any individual (and the individual’s spouse/RDP, if married/RDP on the date of purchase) who did not have an ownership interest in a principal residence, either within or outside of California, during the preceding three-year period ending on the date of the purchase of the qualified principal residence.

A “qualified principal residence” means a single family residence, whether detached or attached, that is purchased to be the principal residence of the taxpayer, is eligible for the California property tax homeowner’s exemption under R&TC Section 218, and has either never been occupied or is purchased by a first-time home buyer.

- **Types of residence:** Any of the following can qualify if it is your principal residence and is subject to property tax, whether real or personal property: a single family residence, a condominium, a unit in a cooperative project, a houseboat, a manufactured home, or a mobile home.
- **Owner-built property:** A home constructed by an owner-taxpayer is not eligible because the home has not been “purchased.”

A “qualified buyer” is an individual who purchases a single-family residence, whether detached or attached, intends to live in the qualified principal residence for a minimum of two years, is 18 years old or older as of the date of purchase, is not related to the seller, and is not a dependent of any other taxpayer.

“Total purchase price” is the price before reduction of any non-qualified buyer’s ownership percentage.

“Qualified purchase price” is the price after reduction of the non-qualified buyer’s ownership percentage.

“Purchase date” is the date escrow closes.

“Two weeks” means a 14 calendar day period. We will count the day after escrow closes as the first full day.

**Example:** Escrow closes May 1, 2010. We will accept an application filed May 1, 2010, through May 15, 2010.

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## Credit Recapture

The credit is subject to recapture, if you (or your spouse/RDP) do not live in the home, as your qualified principal residence, for two full years after the purchase. The unused portion of the credit is canceled. The portion of the credit you claimed on your tax return(s) must be recaptured.

To recapture the credit, you must add the New Home or First-Time Buyer credit claimed on your prior tax return(s) to the applicable tax return by entering the amount on the “Other taxes and credit recapture” line (Form 540, line 63 or Long Form 540NR, line 73). Write “New Home/First-Time Buyer Credit” on the dotted line to the left of the amount. The recaptured credit is reported on the tax return for the taxable year you moved out of the home.

If you were single when you purchased the home and you move out before the end of two full years, the full amount of credit that reduced your tax must be recaptured.

If you were married/RDP when you purchased the home and **both** spouses/RDPs move out before the end of two full years, the full amount of credit that reduced your tax must be recaptured.

If you were married/RDP when you purchased the home and only **one** spouse/RDP moves out before the end of two full years, one half of the credit that reduced your tax must be recaptured. If the credit was used on separate returns, only the spouse/RDP who moved out must recapture the credit.

## Additional Information

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### How to Get California Tax Information

**By Internet** – You can download, view, and print California tax forms and publications at [ftb.ca.gov](http://ftb.ca.gov).

**By phone** – To order California tax forms, call 800.338.0505.

**In person** – Many libraries and post offices provide free California tax booklets during the filing season.

Employees at libraries and post offices cannot provide tax information or assistance.

**By mail** – We will send you two copies of each tax form and one copy of each set of instructions. Allow two weeks to receive your order. If you live outside California, allow three weeks to receive your order. Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

### Letters

If you write to us, be sure your letter includes your social security number (SSN) or individual taxpayer identification number (ITIN), and your daytime and evening telephone numbers. Send your letter to:

FRANCHISE TAX BOARD  
PO BOX 942840  
SACRAMENTO CA 94240-0040

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information.

### General Phone Service

Telephone assistance is available year-round from 7 a.m. until 5 p.m. Monday through Friday, except holidays. Hours subject to change.

#### Internet and Telephone Assistance

Website: [ftb.ca.gov](http://ftb.ca.gov)

Telephone: 800.852.5711 from within the United States  
916.845.6500 from outside the United States  
800.829.1040 for federal tax questions, call the IRS

TTY/TDD: 800.822.6268 for persons with hearing or speech impairments

#### Asistencia bilingüe en español

Asistencia telefónica está disponible todo el año durante las 7 a.m. y las 5 p.m. lunes a viernes, excepto días festivos. Las horas están sujetas a cambios.

Sitio web: [ftb.ca.gov](http://ftb.ca.gov)

Teléfono: 800.852.5711 dentro de los Estados Unidos  
916.845.6500 fuera de los Estados Unidos  
800.829.1040 llame al IRS para preguntas sobre impuestos federales

TTY/TDD: 800.822.6268 personas con discapacidades auditivas y del habla