

FIRST TIME BUYER CREDIT INFORMATION

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www.karenmedved.com cell 310.266.4236

The federal credit: The federal credit is 10 percent of the purchase price, up to a maximum credit of \$8,000 for first-time home buyers or \$6,500 for longtime homeowners who buy a replacement home. Either type of buyer can purchase a new or existing home.

Buyers claim the federal credit when they file their tax return (or amend the prior year's return). This credit is refundable: The full amount will be paid out, even if you have zero federal tax liability or the credit is bigger than your federal tax.

You cannot get the federal credit if your income is too high or the home was purchased after Nov. 6, 2009, and cost more than \$800,000.

The state credit: The California credit is the lesser of 5 percent of the purchase price or \$10,000. First-time buyers can purchase a new or existing home but repeat buyers can only purchase a new home that has never been occupied.

The California credit is spread over three years, up to \$3,333 per year. It is not refundable: If you owe less than \$3,333 in one (or more) of those years, you lose the difference that year. Even if you owed \$3,333 before you owned a house, you might owe less after because of all the new tax deductions.

The state credit has no income or purchase-price limits. But here's the rub: Some buyers who fall below the income limits for the federal credit might not owe enough California tax to get the full benefit of the state credit.

To get the California credit, you must close escrow between May 1 and either Dec. 31 or whenever the money set aside for the program runs out, whichever comes first. The money is likely to run out long before Dec. 31.

Alternatively, you can reserve a state credit for new construction by entering into a binding contract between May 1 and Dec. 31 and closing before Aug. 1, 2011. People who do this won't get the federal credit because they entered a contract after April 30.

Getting both: Both credits require you to buy the home as your primary residence. Both define a first-time buyer as someone who has not owned a home in the three years prior to purchase.

In short, to get both credits you must be in contract on or before April 30 and close between May 1 and June 30 - and meet all other requirements.

Buyers who are already in contract and want to postpone their closing need to get the seller and lender to agree.

"Sellers might be flexible because it's still a buyer's market, but they may want something in return," says Richard Redmond, a mortgage broker in Larkspur.

"If you have a loan locked in with a close date in April and you want to extend it, you may have to pay a fee or get a higher interest rate," Redmond adds.

Buyers should consult a well-informed tax person and make sure they understand both credits.

For more on the state credit, see links.sfgate.com/ZJLF.

For the federal credit, try links.sfgate.com/ZJLG or links.sfgate.com/ZJLH. E-mail Kathleen Pender at kpender@sfchronicle.com. This article appeared on page D - 1 of the San Francisco Chronicle <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2010/04/01/BU9G1CNTVN.DTL&tsp=1#ixzz0lsViRdUJ>