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\$10,000 California New Home Tax Credit Generates Surge in Sales & Traffic

Irvine, CA., March 13, 2009 – New homebuilders have been experiencing an increase in traffic this past month, which marks the first 2 full weeks that homebuyers can take advantage of the new homebuyer tax credit that just went into effect on March 1st. According to an informal survey, BIA builder members have sold over 86 Southern California new homes in just 13 days. William Lyons Homes experienced a 20% increase in traffic this month as compared to February and their March new home sales jumped 160% as compared with February sales numbers. While homebuilders are noticing an increase in traffic, some noted that the buyers seem more serious about purchasing a new home.

This weekend builders expect more traffic and sales from eager home buyers wanting to take advantage before the program reaches its funds limit. The state put a limit of \$100 million for the program and will allocate the tax credit to homebuyers on a **first-come, first-served basis**. With each homebuyer tax credit being worth as much as \$10,000, the program's funding limit could be consumed quickly.

Kristine Thalman, CEO of the Building Industry Association of Orange County comments, "We're pleased to see the increase in traffic and sales and can account for a direct correlation to the new tax credits. The reality is that these incentives are generating positive results and we hope that this will continue to help create jobs and keep us on the right track towards recovery."

California New Homebuyer Tax Credit Overview

- To earn a homebuyer tax credit, buyers must close escrow on a new, previously unoccupied home between March 1, 2009 – February 28, 2010.
- These homebuyers can apply the \$10,000 tax credit to their state income tax returns over three successive years (\$3,333 each year), beginning with tax year 2009.
- The homebuilder must certify to the state that the home has never been occupied.
- The homebuyer must certify that they will occupy the home as their principal residence for at least two years following the purchase.
- The state Franchise Tax Board is the state agency responsible for administering the tax-credit. By Friday, February 27, FTB will have details for consumers on how to submit an application for the credit on its website, www.ftb.ca.gov

A similar tax credit worked before. In 1975 during a similar economic slump, housing markets turned cold and new home construction had ground to a halt.

- Congress enacted a tax credit (5% of home value, capped at \$2,000) for the purchase of new homes.
- Home purchases increased 25% in the first year. New housing starts doubled in two years.
- It wasn't the size of the credit that moved people. It was the demand for a

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limited benefit and the signal that now was the time to reenter the market.

Comparing the State and Federal Housing Tax Credits The state homebuyer tax credit (\$10,000) and the federal credit (\$8,000) can be used together, but there are conditions that must be satisfied:

- The state homebuyer tax credit applies only to new, previously unoccupied homes.
- The federal tax credit is limited to first-time homebuyers, only.
- The federal tax credit is also limited to individuals with annual incomes of \$75,000 (\$150,000 for dual filers).
- Both the state and the federal homebuyer tax credit require the purchaser to maintain occupancy of the home for a period of time following the purchase – two years for the state and three years for the federal credit. Both tax credits must be repaid if the purchaser fails to meet these occupancy requirements.

To qualify for both: A homebuyer who qualifies for both credits (up to \$18,000) must buy a new home; can't have owned one in the last three years; must have an individual annual income of \$75,000 or less; and must live in the home for at least three years. Also important to remember regarding the use of both credits is that the state homebuyer tax credit is paid out over three years (i.e. \$3,333 per year, based on a \$10,000 credit) whereas the federal credit is a one-time tax benefit.

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The Orange County Chapter of the Building Industry Association of Southern California (BIA/OC) is a non-profit trade association representing more than 1,000 companies employing over 117,000 people affiliated with the home building industry. The BIA/OC mission is to promote proactive participation in the development of economic and community issues in Orange County. The BIA/OC is affiliated with the California BIA and the National Association of Home Builders.

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