

FIRST TIME HOME BUYER Frequently Asked Questions:

1.) **What is the definition of a first-time home buyer?** *The law defines "first-time home buyer" as a buyer who has not owned a principal residence during the three-year period prior to the purchase.*

2.) **How is the amount of the tax credit determined?** *The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.*

3.) **Do I need to complete a form or application to claim the tax credit?** *Participating in the tax credit program is easy. You claim the tax credit on your federal income tax return. Specifically, home buyers should complete IRS Form 5405 to determine their tax credit amount, and then claim this amount on Line 69 of their 1040 income tax return.*

4.) **What types of homes will qualify for the tax credit?** *Any home that will be used as a principal residence will qualify for the credit. This includes single-family detached homes, attached homes like townhouses and condominiums, manufactured homes (also known as mobile homes) and houseboats.*

5.) **What is a "refundable" tax credit?** *The fact that the credit is refundable means that the home buyer credit can be claimed even if the taxpayer has little or no federal income tax liability to offset. Typically this involves the government sending the taxpayer a check for a portion or even the entire amount of the refundable tax credit.*

6.) **Is a tax credit the same as a tax deduction?** *No. A tax credit is a dollar-for-dollar reduction in what the taxpayer owes. That means that a taxpayer who owes \$8,000 in income taxes and who receives an \$8,000 tax credit would owe nothing to the IRS.*

For any tax related questions, please
contact your tax consultant.

FOR FURTHER INFORMATION ON
THIS FIRST TIME HOME BUYER
TAX CREDIT SECOND MORTGAGE
LOAN PROGRAM,
PLEASE CONTACT:

CALIFORNIA HOUSING PROGRAMS, LLC

PAM NEWCOMB (760) 444-1000

WES WOLF (949) 489-8036

ANITA McCARTY (714) 283-9334

Redevelopment Agency of Artesia

Maria Dadian

Executive Director

18747 Clarkdale Avenue

Artesia, California 90701

Ph: (562) 865-6262

Fax: (562) 865-6240

Email: mdadian@cityofartesia.us

Website: www.cityofartesia.us

THE ARTESIA REDEVELOPMENT
AGENCY IS NOW OFFERING A...

First Time Home Buyers Tax Credit Second Mortgage

The Agency will advance to qualified homebuyers a loan up to \$8,000.00 to be used for a down payment and/or closing



What is the First Time Home Buyer (FTHB) Tax Credit?

A federal tax credit is available to qualified homebuyers who purchased a home in 2008 or before November 30, 2009. The National Housing Act – The American Recovery and Reinvestment Act of 2009 provides a federal income tax credit for first time homebuyers of ten percent of the sales price, up to a maximum of \$8,000, for the purchase of a new or existing home.



Who is Eligible for the First Time Home Buyer (FTHB) Tax Credit?

- A first time homebuyer is any individual who has had no ownership interest in a principal residence during the prior three (3) years.
- The home must remain the home buyers principal residence for 36 months after the acquisition of the home by the homebuyer.
- The home must be purchased no later than November 30, 2009.

November 2009						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
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29	30					

How can the Agency make the Tax Credit work for its Residents?

- Pursuant to Section 528 of the National Housing Act – The American Recovery and Reinvestment Act of 2009, government agencies may take a second lien behind the lien securing a FHA insured loan to a borrower.
- The Agency is offering a special short term second mortgage loan to qualified buyers. This second mortgage loan will be repaid with the homebuyer tax credit refund.
- The second mortgage loan can be used for down payment or closing costs or a combination of both.
- The homeowner will amend his/her 2008 tax return to obtain the refund that will provide funds to pay off the second mortgage loan within 60 to 90 days after loan closing.