



WHEDA Tax Advantage

MCC Program

Acknowledgment of Federal Recapture Tax Requirements

APPLICANT
NAME _____

CO-APPLICANT NAME _____

I am applying for assistance from Wisconsin Housing and Economic Development Authority (WHEDA) in the form of a Mortgage Credit Certificate (MCC). I understand that there is a potential repayment of a portion of the interest or federal income tax savings that I may receive if all three of the following occur:

1. I sell my residence within nine years of loan closing
2. I make a profit on the sale
3. My household income for the year in which the sale occurs exceeds the Federal Threshold Income Limits.

The maximum amount that I may be required to pay is 6.25 percent of my original mortgage amount. For example, if my original mortgage amount is \$120,000, then 6.25 percent of \$120,000 would be \$7,500. However, this maximum amount may be reduced by one or more of the following factors:

1. One-Half Profit Maximum. You will not have to pay more than 1/2 of the profit from the sale of your home. Thus, if you realize no profit, then you pay no recapture tax; if you realize a \$2,000 profit, then you pay no more than \$1,000 in recapture tax, and so on.
2. Involuntary Sale. If your home must be sold by reason of death, you do not have to pay recapture tax, and recapture will be reduced or eliminated in certain other involuntary circumstances.
3. Income/Family Size. The amount that you must pay will be reduced or eliminated if your income does not exceed limits set by the federal government. These limits are based on formulas similar to those that determine whether you are eligible for a MCC, and anticipate an increase in your family income of five (5) percent compounded each year. The formula applicable to you will take into account your family size at the time of sale.

4. Length of Ownership. The maximum of 6.25 percent of your mortgage amount will be reduced by a factor based on how long you owned your home between the time you closed your mortgage loan and the time you sell your home. The maximum percentage that you would have to pay is set forth below:

<u>Year after Closing</u>	<u>Percentage</u>
1	1.25
2	2.50
3	3.75
4	5.00
5	6.25
6	5.00
7	3.75
8	2.50
9	1.25

Year one is from the closing date through the first anniversary of the closing date, and so on.

After you own your own home for nine years, you no longer have to pay recapture tax when you sell your home.

The percentage you would have to pay could be different if you fully repay your loan within the first 4 years and before you sell your home. Refer to IRS Form 8828 for instructions.

There is no way to predict your exact recapture tax liability since it is based on when you sell your home, your family income and family size at the time of sale, and the amount of profit, if any, that you realize from the sale. After the closing of your mortgage loan, WHEDA will provide information more specifically addressing your individual situation, based on the actual amount of your loan and the applicable income limits for the county in which your home is located.

I understand that if my mortgage loan is financed by WHEDA, I will be eligible for the Recapture Tax Guarantee. WHEDA will reimburse me for any IRS recapture tax liability if I sell my home within the first 9 years.

I acknowledge that I have read and understand the above disclosure.

Date

Applicant's signature

(Print Name)

Co-Applicant's signature

(Print Name)