

## \*What if I Sell My Home?

The Federal Recapture Tax is an Internal Revenue Service (IRS) rule that **may** increase the amount of tax the homeowner pays when selling the home.

The amount of the recapture will depend on the year in which the homeowner sells, homeowner's income that year, and the amount of gain received from the sale.

If the home is sold more than nine years after the closing date, there will not be additional taxes.

KHC staff are not tax advisors. If there are questions about how taxes will be affected, contact an accountant or call the IRS at (800) 829-3676.

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To find out if you qualify for the tax credit, please contact a tax credit-approved lender. A list of lenders is available on KHC's Web site, [www.kyhousing.org](http://www.kyhousing.org), under Homeownership, Home Buyers, Home Buyer Tax Credit.

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DISCLAIMER: The information in this brochure is general and is not intended as legal or tax advice. The information should not be used in any actual transaction without the advice and guidance of a professional tax advisor who is familiar with all of the relevant facts. Furthermore, the information contained herein may not be applicable to or suitable for all individuals' specific circumstances or needs and may require consideration of other matters. KHC assumes no obligation to inform any person of any changes in the tax law or other factors that could affect the information contained herein.

[www.kyhousing.org](http://www.kyhousing.org)

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# KHC's Home Buyer Tax Credit

Keep more of your paycheck  
through tax savings to help  
pay your mortgage!



# Pay less taxes while owning your home!

**The 25 percent credit means additional take-home pay (average \$130 per month), making your mortgage more affordable!**

## What is KHC's Tax Credit?

KHC's Home Buyer Tax Credit is available through a Mortgage Credit Certificate (MCC), which reduces the amount of federal income tax you pay, giving you more available income to qualify for a mortgage loan.

MCCs are NOT mortgages. They are tax credits that put extra cash in your pocket each month, so you can more easily afford a house payment. That means fewer tax dollars will be withheld from your regular paycheck, increasing your take-home pay.

Through the use of an MCC, eligible home buyers increase their ability to qualify for a mortgage loan and reduce their effective mortgage interest rate.

Your credit may also be used as additional income or as a reduction in principal, interest, tax, and insurance payments in calculating ratios.

The federal government allows every homeowner an income tax deduction for all the interest paid each year on a mortgage loan. But an MCC gives you a **tax credit** of 25 percent a year (up to \$2,000). You can still deduct the remaining 75 percent of your yearly mortgage interest on your income taxes.

The credit is effective for the life of the loan as long as you live in the home.\*

## How does KHC's Home Buyer Tax Credit benefit a person buying a home?

A home buyer with a 3.75 percent interest rate on a fixed, 30-year mortgage of \$125,000 would pay approximately \$4,687 in interest payments for the first year without the tax credit.

With the tax credit, 25 percent of that interest could be taken as a tax credit against the home buyer's federal income taxes, effectively reducing the monthly mortgage payments by \$64.61 per month, which helps the home buyer qualify for and support a better mortgage.

Terms	With MCC	No MCC
Mortgage Amount	\$125,000	\$125,000
Interest Rate	2.81 %**	3.75 %
Term	30 Years	30 Years
Monthly P&I	\$514.28**	\$578.89
1st year interest payments	\$3,515**	\$4,687

\*\*The information in the chart above is for illustration purposes only. Please note: KHC staff are not tax advisors, please contact an accountant for full details of how an MCC will affect your taxes. The 2.81% is the effective interest rate.

## Who Can Apply?

You may qualify for the program if:

- You are purchasing your first home.
- You have not owned a home in the last three years.
- The home you wish to buy is located in an area of the state which is exempt from the first-time home buyer rule. (Your local lender can determine those "targeted areas.")

Maximum home sales price is \$243,000.

Maximum income limits:

- 1-2 person household: *Up to \$85,560*
- 3-4 person household: *Up to \$99,820*

You must occupy the property.

Eligible properties include new construction, as well as existing single-family homes, manufactured homes, condominiums, and townhouses.

Additional restrictions may apply. To find out if you qualify for the tax credit, please contact a tax credit-approved lender. A list of lenders is available on KHC's Web site, [www.kyhousing.org](http://www.kyhousing.org), under Homeownership, Home Buyers, Home Buyer Tax Credit.

## How to Apply?

Applications are accepted on a first-come, first-served basis by a statewide network of lenders. A local lender you select will be able to determine if you qualify, as well as submit your loan application and notify you as to whether your application has been accepted.

## What is the Cost?

There is a \$500 fee to acquire a tax credit. The tax credit cannot be used with KHC Mortgage Revenue Bond Program. KHC's tax credit may be used with KHC's GNMA Secondary Market Program for a reduced cost of only \$200!