



North Carolina Housing Finance Agency (NCHFA)
FirstHome Mortgage Program
Recapture Tax Reimbursement

General Information

Recapture tax is a federally mandated tax implemented in 1991 for first-time homebuyers who use Mortgage Revenue Bond (MRB) or Mortgage Credit Certificate (MCC) first-time homebuyer Programs.

For recapture to apply to you, you must sell your home within 10 years, your household income must rise significantly during the time you own the home **and** you must realize a substantial gain from the sale. If all three of these criteria are met and a repayment is due, it is calculated by a formula based on the length of time you have lived in your home and the amount that your income and/or the value of your home have increased. Most borrowers will not have to pay any recapture; however, you are required to complete IRS form 8828 to determine if you owe any recapture tax.

Reimbursement Concept

NCHFA will reimburse eligible FirstHome Mortgage borrowers who make a legitimate recapture tax payment (not to exceed \$10,000) to the IRS, provided that specific requirements are met. MCC assisted loans do not qualify for reimbursement.

Specific Requirements

1. The FirstHome (MRB) loan must close after January 1, 2007.
2. The FirstHome (MRB) loan must be outstanding at the time of sale. NCHFA will not reimburse the borrower if the loans have been subsequently refinanced.
3. The reimbursement request must be submitted by June 15th of the calendar year immediately following the calendar year in which home is sold.
4. NCHFA will reimburse only the amount of recapture tax. NCHFA will not reimburse penalties or interest owned by the FirstHome borrowers.
5. The information on the borrower's tax return for the calendar year of disposition must be true and correct.
6. If the home is sold within 2 years after loan closing, NCHFA will not reimburse recapture tax if a new wage earner is included in the household.

How It Works

The FirstHome (MRB) borrower must provide the Agency with the following documentation in order to begin the reimbursement process.

1. A completed Request for Recapture Tax Reimbursement form (attached);
2. A copy of the signed federal tax return, including IRS Form 8828, (Recapture of Federal Mortgage Subsidy) for the year in which the home was sold or otherwise disposed of;
3. A copy of the signed HUD-1 Settlement Statement issued in connection with the disposition of your home;
4. An original signed IRS Form 4506 (attached) completed by each person listed as a borrower under the mortgage loan documents, permitting NCHFA to request federal tax returns, including IRS Form 8828; NCHFA will pay any fees associated with the IRS 4506 form that is required as part of the reimbursement process.

Information should be mailed to:

North Carolina Housing Finance Agency
Home Ownership Lending Group
3508 Bush Street
Raleigh, North Carolina 27609

or

P.O. Box 28066
Raleigh, North Carolina 27611-8066

The Agency will make very effort to process the information within a sixty (60) day time frame.

The reimbursement check will be made payable to the original borrower(s) listed on the Promissory Note.

Tax Information

THIS NOTICE SHOULD NOT BE CONSTRUED AS TAX ADVICE. REIMBURSEMENT MAY BE TAXABLE INCOME TO YOU IN THE YEAR RECEIVED. PLEASE CONSULT YOUR TAX ADVISOR FOR FURTHER INFORMATION BECAUSE YOU WILL RECEIVE AN IRS 1099 FORM (MISCELLANEOUS INCOME) FROM NCHFA.