# Are you missing out on a bigger tax refund?

## Home Buyer Tax Credit

KHC Kentucky Housing Corporation

*Investing in quality housing solutions.*

If you plan on buying a home, then consider taking advantage of KHC's Home Buyer Tax Credit.

**The Tax Credit provides a dollar-for-dollar reduction of your federal income taxes every year you occupy the home.**

**This is a gift that keeps on giving every year when you file your federal income taxes.**

Up to

**$2,000**

each year!

You can save some serious money over the life of the mortgage loan starting the first year. The Tax Credit is equal to up to 25 percent of the annual mortgage interest paid in a calendar year.



# Benefits

## The KHC Home Buyer Tax Credit is a yearly benefit you can take advantage of when you file your federal income taxes.

### Life of Loan Benefit

The Tax Credit is available for the life of the loan. As long as you own your home and are paying the mortgage, you are eligible for the credit each year.

### Receive a Larger Tax Refund Annually

Receive up to $2,000 of mortgage interest paid each year, back on your taxes! If you are getting a refund before the Tax Credit is applied, that money only adds to your refund amount!

### Potentially Bring Home More Money Each Paycheck

If they prefer, Tax Credit recipients can also file a revised W-4 withholding form with their employer to pay fewer taxes each month instead of receiving a credit at the end of the year.

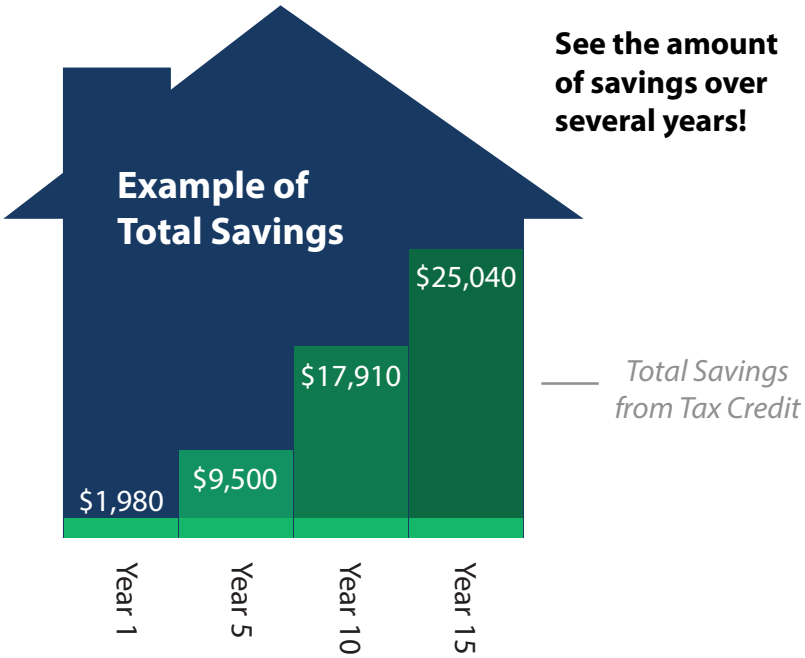
***Make sure to consult a tax advisor before making any tax decisions.***

# How does KHC's Home Buyer Tax Credit Work?

The Tax Credit is a straightforward way to get money back every year for owning a home. The Tax Credit allows for homeowners to take up to **25 percent** of the interest paid on their KHC mortgage as a dollar-for-dollar credit on their tax returns. Better yet, the remaining mortgage interest is still eligible for an itemized tax deduction.

Example:

- You obtain a mortgage loan of $110,000 at a 4 percent interest rate, for 30 years.
- In the first year, a total of $4,400 worth of interest is paid on the mortgage.
- You receive a federal income Tax Credit of $1,100 (25% of $4,400).
    - ◊ Maximum of $2,000 per year.
- The remaining 75 percent of mortgage interest - $3,300 - qualifies as an itemized income tax deduction.




**See the amount of savings over several years!**

# Who Qualifies for KHC's Home Buyer Tax Credit?

The Tax Credit is only available to those purchasing a home in the state of Kentucky with a 30-year fixed interest rate mortgage.

All first-time home buyers are eligible for the Tax Credit if they meet income and purchase price limits. Non-first-time home buyers may be eligible in some circumstances; they should contact a lender to see if they are able to take advantage of the Home Buyer Tax Credit from KHC.

For more details, including full purchase price and income limits, visit KHC's website at **www.kyhousing.org**. There, you can also find a list of approved lenders who can help you with the application process.

# How to Apply?

Applications are accepted by a statewide network of local lenders. KHC Home Buyer Tax Credits are available with FHA, VA, RHS, Fannie Mae, and Freddie Mac Conventional 30-year mortgages at a fixed-rate.

Visit KHC's website for a full list of approved lenders, under *Home Buyers*.

# What If...

## I Sell My Home

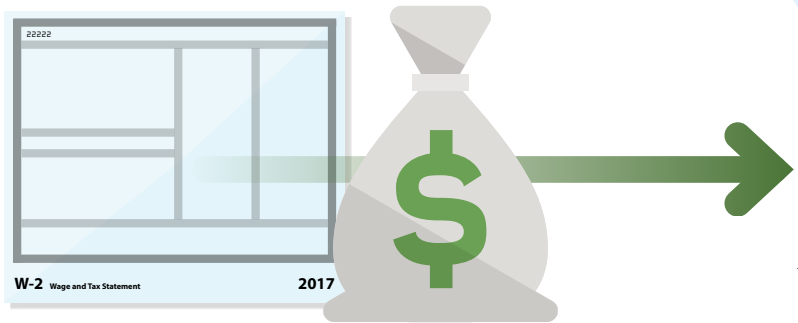
If you sell your home in the first nine years, you *could* be subject to a recapture tax. **There are three triggers that have to occur before you would be subject to pay this tax.**

1. Sell your home within nine years of the closing date.
2. Have a net gain on the sale of the home.
3. Have at least 5 percent or more increases in pay every year.

Most Tax Credit recipients are not subject to the recapture tax simply because their income does not equal or exceed the limit based upon the 5 percent increases every year as allotted by the federal government.

## I Want to Refinance My Loan

If you refinance your mortgage in the future, KHC can re-issue the tax credit with the remaining years available to you. Note that there is a small, one-time $100 fee to re-issue your tax credit but homeowners should easily recoup that cost at tax-time.




***Make sure to consult a tax advisor before making any tax decisions.***



# Next Steps

### 1 Find an Approved KHC Home Buyer Tax Credit Lender

Visit KHC's website, **www.kyhousing.org**, to find full list of approved lenders to help with a mortgage and the Home Buyer Tax Credit. The lender will help determine how much home you can purchase, analyze your credit, check eligibility for KHC's Home Buyer Tax Credit, and give you a Loan Estimate, that details all the costs associated with your loan. There is a minimal one-time fee for the Tax Credit, but you will recoup this fee generally within the first year tax savings from the Tax Credit.

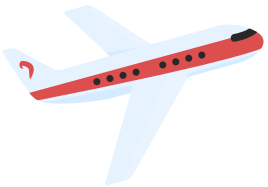
### 2 Find a Home

Once you know how much home you can afford, you can start shopping for a home!

### 3 Apply for the Home Loan and KHC's Tax Credit

### 4 Home Closing

Close on your home loan and *Save Happily Ever After* with KHC's Home Buyer Tax Credit.



## Congratulations, you are now a home owner!

## What does a bigger tax refund mean to you?

Kentucky Housing Corporation, the trusted state housing finance agency, has been helping individuals and families realize their dream of homeownership since 1972.

Let us help you take part in the American Dream.

**www.kyhousing.org**

KHC | Kentucky Housing Corporation

*Investing in quality housing solutions.*

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*KHC promotes fair housing practices in the state and prohibits discrimination based on race; color; religion; sex; national origin; sexual orientation; gender identity; ancestry; age; genetic information; disability; or marital, familial, or veteran status.*

EQUAL HOUSING OPPORTUNITY

**No state funds were used to produce this document.**

Free, electronic and Spanish versions are available at www.kyhousing.org.

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