A KHC Home Buyer Tax Credit can save a homeowner some serious money over the life of their mortgage loan, starting in the very first year.

When a KHC Home Buyer Tax Credit is issued to a homeowner, he/she can file for a **Tax Credit** on their federal income taxes equal to **25%** of their annual mortgage interest paid. It is a dollar-for-dollar reduction in their federal income tax liability.

**How does KHC’s Tax Credit (MCC) work?**

Here is an example based on a homebuyer receiving a mortgage loan of $130,000, at 5.0% for 30 years with KHC’s Homebuyer Tax Credit:

<table>
<thead>
<tr>
<th>Terms</th>
<th>25% Tax Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Location</td>
<td>All Counties</td>
</tr>
<tr>
<td>Loan Amount &amp; Interest Rate</td>
<td>$130,000 at 5.00%</td>
</tr>
<tr>
<td>Interest in the first year</td>
<td>$6,500</td>
</tr>
<tr>
<td>Tax Credit Amount – Limited to $2,000 per year</td>
<td>$1,625 (25% of $6,500)</td>
</tr>
<tr>
<td>Tax Deduction</td>
<td>$4,875 (remaining 75% of mortgage interest)</td>
</tr>
</tbody>
</table>

- Homebuyer receives a federal income Tax Credit of $1,625 (25% of $6,500).
  - Maximum of **$2,000** per year.
- The remaining 75% of mortgage interest - $4,875 qualifies as an itemized income tax deduction.

**What are the Benefits of the Tax Credit?**
- Life of the loan benefit.
- Receive a larger tax refund annually.
- Homeowner can receive immediate benefit of Tax Credit by filing a revised W-4 withholding form with their employer to reduce the amount of federal income tax withheld from their wages and increase take home pay by the monthly credit amount.
  - Anticipated Tax Credit amount for first year $1,625 divided by 12 months = $135.42 tax savings per month.
  - A home buyer should consult a tax advisor prior to making any changes.

**Who Qualifies for the Tax Credit?**
- First-time homebuyer in non-targeted counties or all homebuyers in Targeted counties (refer to map on back).
- Household income and purchase price limits.
  - Based on county and household size.
- Purchase of a home in the state of Kentucky with a 30-year fixed interest rate.
  - Mortgage through KHC’s Secondary Market Program ($200 fee), or
- Other investor 30-year fixed mortgage ($500 fee).
New Bond Funds may be accessed by first-time home buyers and previous homeowners purchasing homes in targeted counties. For all other counties, New Bond Funds may only be accessed by first-time buyers (not having owned a home in the past three years).