

KHC's Home Buyer Tax Credit

Get more money back on your taxes!

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.

The KHC Home Buyer Tax Credit is offered statewide by KHC through participating lenders. Find a participating lender in your area at www.kyhousing.org, under *Home Buyers, Home Buyer Tax Credit*.

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.

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Investing in quality housing solutions.

Get more money back!

The 25 percent credit means additional money back, making your mortgage more affordable!

Are you buying a home? Save up to \$2,000 a year on your income taxes.

If you are buying a home, the Kentucky Housing Corporation (KHC) Home Buyer Tax Credit can put more money in your pocket and make your mortgage payment more affordable.

The Tax Credit allows eligible buyers to take a federal tax credit of 25 percent of the mortgage interest paid annually. It can save you up to \$2,000 every year that you occupy your home. The Tax Credit provides a dollar-for-dollar reduction of your federal tax liability, and is in addition to the mortgage interest deduction available to all homeowners.

Am I Eligible?

The Tax Credit is available to home buyers that meet KHC's purchase price and Mortgage Revenue Bond income limits, and are purchasing a primary residence. Income limits vary by county and household size. Visit www.kyhousing.org for current MRB income limits.

How Does the Tax Credit Work?

You claim the Tax Credit on your federal tax return. You can get an immediate benefit from the Tax Credit by changing the number of allowances on your W-4 Form filed with your employer, or wait until the end of the year and receive a larger refund when filing your tax return. Either way, the decreased tax liability from the Tax Credit saves you money.

As an example, suppose you borrow \$150,000 at 5.0 percent interest. You would pay approximately \$7,500 in interest the first 12 months of your mortgage. With a 25 percent Tax Credit, you could reduce your federal income tax liability by \$1,872 annually or \$156 per month.

Over the first 10 years of ownership, depending on the amount you borrow for your home, you could save substantially in federal taxes. Like many homeowners, you can also claim an interest deduction on the remaining interest you pay.

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 \$255,500.

Maximum income limits vary by county and household size.

You must occupy the property.

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

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 KHC Home Buyer Tax Credit. The Tax Credit cannot be used with KHC Mortgage Revenue Bond Program. KHC's tax credit may be used with KHC's Secondary Market Program for a reduced cost of only \$200!

Additional restrictions may apply. To find out if you qualify for the tax credit, please contact a KHC Tax Credit-approved lender. A list is available on KHC's Web site, www.kyhousing.org, under *Home Buyers, Home Buyer Tax Credit*.