



## Homebuyer Tax Credit

### FAQs

#### **Should I overlook the financial benefits of KHC's Homebuyer Tax Credit over fear of the Recapture Tax Provision?**

Absolutely not! For nearly all borrowers, the financial benefits of a "life of loan" federal tax credit far outweigh the small potential of paying a recapture tax. After all, most borrowers **will not** have to pay. Unnecessary fear about recapture among homebuyers, real estate agents, builders, or even mortgage professionals can cause eligible borrowers to miss out on this valuable benefit. Get the facts before you decide! Consult a CPA or competent tax professional to discuss the effect of KHC's Homebuyer Tax Credit on your household's tax liability now and in the future.

#### **What is the maximum amount of KHC's Homebuyer Tax Credit annually?**

The lesser of 20% of the interest paid on your mortgage loan or \$2,000 per year not to exceed the amount of your federal tax liability.

#### **Who is Eligible to receive KHC's Homebuyer Tax Credit?**

Generally, Kentuckians purchasing their first home to owner occupy with a 30 year fixed rate mortgage. Your KHC approved lender can determine if the purchase price of the home and income of your household are within eligible limits. These limits vary by county and household size. There are also options for repeat homebuyers in certain counties, contact a [KHC Approved Lenders](#) for full program eligibility details.

#### **What is KHC's definition of first-time homebuyer?**

A first-time homebuyer is someone who has not had ownership interest in a home within the past three years.

#### **Will I lose my KHC Homebuyer tax Credit if I refinance my mortgage?**

No, but you will need to notify KHC of your refinance within 12 months of the closing by submitting an application for reissuance. This can be found on KHC's website, [www.kyhousing.org](http://www.kyhousing.org), Lender Resources, under KHC Homebuyer Tax Credit. There is a \$100 fee to reissue the tax credit. KHC will need a copy of the new Loan Note and Closing Disclosure and completed application for reissuance, along with a check made out to KHC for \$100.

#### **What triggers the Federal Recapture Tax?**

All **three** of these criteria must be met for a borrower to owe recapture tax:

1. You must sell your home within 9 years.
2. You must make a net gain from the sale of your home.
3. You must be earning significantly more income than when you bought the home.

**What is the Federal Recapture Tax?**

It's a federal tax that a borrower may be required to pay from the net profit they receive from the sale of their home. If they have to pay Recapture, it would be due when they file their federal income tax for the year in which they sell their home. The maximum recapture tax is 6.25% of the original principal balance of the loan or 50% of the gain on the sale of the home, whichever is less.

**Can KHC or the lender tell me what my recapture tax will be?**

No, it would be impossible to predict your tax liability, if any; since it is based on your situation at the time you sell your home. It depends on your future income, family size, and the amount of net profit on the sale of your home. In addition, neither KHC nor your lender is qualified to interpret tax regulations. You should take your Notice of Federal Recapture Tax form (issued at closing) and your Closing Disclosure to a competent tax professional or CPA if you met the three triggers above.