

Mortgage Credit Certificate

PROGRAM



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Phone 517.373.6840 • TTY 1.800.382.4568

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Michigan State Housing Development Authority

What is a Mortgage Credit Certificate?

A Mortgage Credit Certificate (MCC) is issued in connection with the purchase of a home and is designed to help lower income households afford homeownership. For eligible homebuyers, MCCs may reduce the amount of federal income tax you pay. This is not a one time credit. It is an annual credit for the life of the original mortgage, as long as the home remains your principal residence.

Where can I get a MCC?

Many banks, credit unions and mortgage companies participate in MSHDA's MCC Program and the lender can help you apply for a MCC at the same time you apply for a mortgage loan. A list of participating lenders is available at michigan.gov/mshda.

Calculating the credit

Total Mortgage Amount x Loan Interest Rate =
Annual Interest

Annual Interest x MCC Rate (20%) =
Tax Credit for the Year

Assuming a mortgage of \$100,000 at 4.5% interest,
the annual tax credit would be:

$\$100,000 \times 4.5\% = \$4,500$

$\$4,500 \times 20\% = \mathbf{\$900 \text{ annual tax credit}}$

The specific amount of the mortgage interest credit depends on how much interest you pay on the mortgage loan, however, the amount of the credit cannot be more than your annual federal income tax liability after all other credits and deductions have been taken into account. The unused portion of the mortgage interest credit can be carried forward to the next three years, or until used, whichever comes first. Please refer to IRS Form 8396 to calculate and claim your annual credit.

What types of mortgages can a MCC be combined with?

MCCs can be combined with conventional, FHA, Rural Development and VA mortgage loans. MCCs are not available with MSHDA mortgages, refinanced loans, or with rehabilitation loans.

What requirements are there?

Federal, IRS and state regulations apply to everyone who obtains a MCC. These include:

- Buyers must meet household income and home purchase price limits.
- The homebuyer cannot have had an ownership interest in a principal residence in the last three years, unless the home is being purchased in a targeted area.
- The home must be a single family residence and used as a principal residence. A principal residence can include single family homes, condominiums and certain manufactured homes.
- Because a tax credit is considered to be a subsidy, homebuyers may be subject to a federal 'recapture tax'. This tax may apply, if the home is sold within nine years with a gain on the sale. MSHDA recognizes that this may be a concern for individuals, so the Recapture Tax reimbursement Program was created to reimburse borrowers for any recapture tax paid to the IRS.

Where can I obtain more information?

For more information on income limits, sales price limits and targeted areas visit our Web site at michigan.gov/mshda, and click on the homeownership tab.