

RECAPTURE TAX REIMBURSEMENT PROGRAM

HELP!



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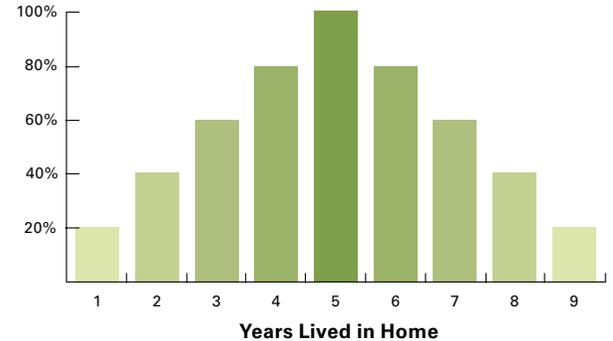
Michigan State Housing Development Authority (MSHDA) created the Recapture Tax Reimbursement Program in April 2008 to ease borrowers concerns about the federal recapture tax. MSHDA loans are funded through the sale of tax exempt bonds, benefiting borrowers by lowering the loan interest rate. Because of this, some borrowers are required to pay the Internal Revenue Service (IRS) a portion of the gain upon the sale of their home if they financed their home with a MSHDA mortgage loan or were issued a Mortgage Credit Certificate (MCC).

MSHDA's Recapture Tax Reimbursement Program will reimburse homeowners for the amount of the recapture tax paid to the IRS. Homeowners may request a reimbursement by providing MSHDA with an IRS form 8828, evidence of payment and a signed copy of their IRS 1040 form.

Most borrowers never have to pay a recapture tax. For others, the amount will be minimal and never exceed one half of the gain on the sale of their home, or 6.25 percent of the original mortgage, whichever is less. Recapture taxes are based on the number of years the borrower has lived in the home, with the maximum tax due if the house is sold in the fifth year.

However, in order for recapture tax to be due, **ALL** of the following events must occur:

- There is a gain on the sale of the home.
- Household income increases significantly over the life of the loan (generally more than 5 percent per year).
- The home is sold within nine years of closing on the loan.



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Based on average borrower income statistics and other conditions, the majority of MSHDA borrowers do not have to pay recapture tax. For additional information, please consult your tax professional or visit www.irs.gov