



North Carolina Housing Finance Agency (NCHFA)

Mortgage Loans Financed with Tax-Exempt Bonds

Recapture Tax Reimbursement

General Information

Recapture tax is a federally mandated tax implemented in 1991 for homebuyers who use programs financed with tax-exempt mortgage revenue bonds.

For recapture to apply to you, you must sell your home within 10 years, your household income must rise significantly during the time you own the home **and** you must realize a substantial gain from the sale. If all three of these criteria are met and a repayment is due, it is calculated by a formula based on the length of time you have lived in your home and the amount that your income and/or the value of your home have increased.

Most borrowers will not have to pay any recapture; however, you are required to complete IRS form 8828 to determine if you owe any recapture tax.

Reimbursement Concept

NCHFA will reimburse eligible borrowers who are required to pay recapture tax under IRS guidelines and have made a recapture tax payment to the IRS, provided that specific requirements are met.

Recapture Tax Reimbursement **does not apply to** the Mortgage Credit Certificate (MCC) program.

Specific Requirements

1. The loan must have closed after January 1, 2007.
2. The reimbursement request must be submitted by June 15th of the calendar year immediately following the calendar year in which home is sold.
3. NCHFA will reimburse only the amount of recapture tax properly paid to the IRS under IRS Form 8828 (not to exceed \$10,000). NCHFA will not reimburse penalties or interest owed by the borrowers.
4. The information submitted to the IRS on the borrower's tax return and IRS Form 8828 for the calendar year of disposition must be true and correct.

How It Works

The borrower must provide the Agency with the following documentation to begin the reimbursement process.

1. A completed Request for Recapture Tax Reimbursement form (attached)
2. A copy of the signed federal tax return, including IRS Form 8828, (Recapture of Federal Mortgage Subsidy) for the year in which the home was sold or otherwise disposed of
3. A copy of the signed Closing Disclosure Settlement Statement issued in connection with the disposition of your home
4. An original signed IRS Form 4506-T (attached) completed by each person listed as a borrower under the mortgage loan documents, permitting NCHFA to request federal tax returns
5. Proof of payment to the IRS
6. Information should be mailed to:

North Carolina Housing Finance Agency
Attn: Servicing Department
3508 Bush Street
Raleigh, North Carolina 27609

The Agency will make every effort to process the information within a 60-day time frame.
The reimbursement check will be made payable to the original borrower(s) listed on the Promissory Note.

Tax Information

THIS NOTICE SHOULD NOT BE CONSTRUED AS TAX ADVICE. REIMBURSEMENT MAY BE TAXABLE INCOME TO YOU IN THE YEAR RECEIVED. PLEASE CONSULT YOUR TAX ADVISOR FOR FURTHER INFORMATION BECAUSE YOU WILL RECEIVE AN IRS 1099 FORM (MISCELLANEOUS INCOME) FROM NCHFA.



**NORTH CAROLINA HOUSING FINANCE AGENCY
MORTGAGE LOANS FINANCED WITH TAX-EXEMPT BONDS**

REQUEST FOR RECAPTURE TAX REIMBURSEMENT

The undersigned requests reimbursement for the federal recapture tax reported following the sale, exchange or other disposition ("Disposition") of our home. We purchased our home with assistance from the North Carolina Housing Finance Agency (NCHFA).

Certain information relating to our prior mortgage is as follows:

Name(s) of Borrower(s): _____

Address of Home: _____

Original Closing Date: _____ **(must be after 1/1/2007)**

Date Home was Sold by Borrower(s): _____

Sales Price of Home: _____

Amount of Recapture Tax Paid by Borrower(s): _____

New Mailing Address: _____

As part of our request for reimbursement, we make the following statements, representations and warranties:

1. The recapture tax reported to the U.S. Treasury was calculated by us, either alone or with the assistance of our tax advisor or the Internal Revenue Service. We have neither requested nor relied on NCHFA to calculate the recapture tax nor has NCHFA made any such calculation on our behalf. We acknowledge that NCHFA will not calculate the amount of our recapture tax and has no obligation or responsibility to verify the accuracy of our calculation.
2. We have not previously requested NCHFA to reimburse us for any recapture tax with respect to the home described above. We will not submit another reimbursement request regarding this home for any reason, including, but not limited to, the payment of additional recapture tax because of any miscalculation.
3. We understand that NCHFA will reimburse us only for the amount of the recapture tax we report and pay to the U.S. Treasury on IRS Form 8828 (not to exceed \$10,000) and that NCHFA will not reimburse for any fees, interest, expenses or penalties incurred in connection with the recapture tax.

4. The information contained in our tax return for the calendar year, in which a Disposition of our home occurred, was true and correct as of the date such return was filed with the Internal Revenue Service. Such information, together with the information included in this request for reimbursement of our recapture tax and in any other document or item requested by NCHFA, is or will be correct as of the date submitted to NCHFA.
5. We understand we must meet eligibility criteria disclosed in the General Information packet.
6. We acknowledge that NCHFA's reimbursement of our recapture tax may constitute income to us for federal and/or state income tax purposes, and that we may have to pay taxes on this additional income. We further acknowledge that NCHFA will not provide us with additional moneys to pay such taxes. If we have questions regarding the treatment of the reimbursement for tax purposes, we will check with our tax advisor or the Internal Revenue Service.

We have attached to this request for reimbursement of our Recapture Tax the following:

- A copy of our signed federal tax return, including completed IRS Form 8828 for the year in which the home was sold or otherwise disposed of;
- A copy of signed Closing Disclosure Settlement Statement issued in connection with the disposition of our home.
- An originally signed IRS Form 4506-T completed by each person listed as a Borrower under the mortgage loan documents, permitting NCHFA to obtain a copy of each such Borrower's federal tax return, including IRS Form 8828.
- Proof of payment to the IRS.

We understand the NCHFA may need additional documentation to approve our request for reimbursement, and we will provide such documentation within 30 days upon request.

Borrower

Date

Borrower

Date

Send request for Recapture Tax Reimbursement to: ***North Carolina Housing Finance Agency***
Attn: Servicing Department
3508 Bush Street
Raleigh, NC 27609