

# FEDERAL RECAPTURE TAX

Borrowers who receive financing through WHEDA with the FIRST TIME HOME BUYER Program, VALOR Program OR were issued a MORTGAGE CREDIT CERTIFICATE\* when they purchased their home concurrent with the WHEDA ADVANTAGE CONVENTIONAL Program, may have to pay a "recapture" tax to the federal government following the sale of their home.

WHEDA borrowers do not have to be concerned about federal recapture tax due to the [WHEDA Recapture Tax Guaranty](#) provided to Borrowers via WHEDA [Form 4 Acknowledgement of Federal Recapture Tax Requirements](#). Effective for WHEDA loans funded on or after April 1, 2013 that are subject to a federal recapture tax, **WHEDA will reimburse home buyers for the actual amount of recapture tax paid to the IRS when they sell their WHEDA financed home.** WHEDA recommends consulting a tax professional to determine if the recapture tax applies.

\*For borrowers who receive an MCC Certificate and their first mortgage financing is **not** a WHEDA first mortgage, the recapture reimbursement from WHEDA does not apply.

## Understanding what it is if you may become subject to and WHEDA's guaranty.

When does recapture apply?	<input type="checkbox"/> <b>Recapture applies when and if all three occur:</b> <ol style="list-style-type: none"> <li>1. The borrower sells the home within the first nine full years of ownership.</li> <li>2. The borrower realizes a capital gain on the sale of the home.</li> <li>3. The borrower's income increases above the federal allowable limits at the time of sale.</li> </ol> <input type="checkbox"/> <b>No recapture tax is due unless all three occur.</b>
What is recapture?	<input type="checkbox"/> <b>Recapture</b> tax is paying back the federal government for the benefit of a lower interest mortgage loan, where tax-exempt mortgage bonds were used for financing.
How is the tax calculated?	<input type="checkbox"/> Borrowers calculate recapture tax using IRS Form 8828. For assistance see also, <a href="#">IRS Publication 523 "Selling Your Home,"</a> available on the IRS website at: <a href="http://www.irs.gov">www.irs.gov</a> .
What are the federal allowable income limits & where are they found?	<input type="checkbox"/> A copy of the federal allowable income limits for Wisconsin can be found on <a href="http://www.WHEDA.com">www.WHEDA.com</a> <a href="#">here</a> . The income limits are listed for each year of ownership in which recapture tax may be due
When is recapture tax paid?	<input type="checkbox"/> Whether or not recapture tax is due, borrowers must file IRS Form 8828 with their federal income tax returns for the year in which their home is sold. Recapture tax is paid at the time income tax returns are filed.
What happens if a Borrower dies within the nine-year period?	<input type="checkbox"/> <b>No</b> recapture tax is due when a home is disposed of (sold) due to the death of the homeowner.
How do borrowers get reimbursed from WHEDA?	<input type="checkbox"/> <a href="#">Exhibit 7 "Recapture Tax Reimbursement"</a> request must be received by the Wisconsin Housing & Economic Development Authority (WHEDA) within six months of the date of filing of your federal income tax and incurring the Recapture Tax liability. <a href="#">Exhibit 7 "Recapture Tax Reimbursement"</a> can be found on <a href="http://www.WHEDA.com">www.WHEDA.com</a> <a href="#">Forms and Exhibits</a>
Find out more	<input type="checkbox"/> <b>IRS</b> information/forms online at: <a href="http://www.irs.gov">www.irs.gov</a>