



## MaineHousing Offers Recapture Tax Reimbursement

MaineHousing has adopted a policy to address concerns caused by the federal recapture tax. For MaineHousing loans closed on or after January 1, 2013, we will **reimburse** borrowers for any recapture tax owed and paid by them when they sell their home.

### Recapture Tax

A federal recapture tax may be owed when a home that was financed with a MaineHousing mortgage is sold. **All** of the following events must occur to trigger the tax:

- The home is sold within the first nine years of the closing date; and
- The homeowner realizes a gain on the sale of the home as defined by the IRS; and
- The homeowner's family income has increased and exceeds the limits established by the IRS.

**Most homeowners will NOT pay recapture tax.**

Regardless of whether or not the borrower owes a recapture tax upon the sale of their home, they must complete [IRS Form 8828](#) and file it with their federal tax return for the year the home is sold. MaineHousing cannot provide advice or answers to specific questions about calculating potential tax liability and strongly advises everyone to seek assistance from a professional tax advisor or the IRS. Toll free numbers for the IRS can be found at [IRS.gov](#).

### Requesting Recapture Tax Reimbursement

A homeowner seeking reimbursement will need to apply to MaineHousing in the calendar year immediately following the calendar year in which the home was sold.

MaineHousing will reimburse a homeowner for any recapture tax paid providing the MaineHousing financed mortgage loan was outstanding at the time of sale. **Note: Recapture tax reimbursement will not apply to refinanced loans.**

The reimbursement from MaineHousing will be limited to the actual amount of the recapture tax paid. (MaineHousing will not reimburse for any fees, interest, expenses or penalties incurred.)

A homeowner seeking reimbursement must submit the following to MaineHousing:

- A completed and signed [MaineHousing Request for Recapture Tax Reimbursement form](#);
- Tax return copies including the [IRS Form 8828](#) (Recapture of Federal Mortgage Subsidy);
- Proof federal taxes were paid;
- A Closing Disclosure related to the disposition of the home; and a signed [IRS Form 4506](#), completed by every borrower named on the Mortgage Note.