City and County of San Francisco
Mayor's Office of Housing and Community Development
Mortgage Credit Certificate Program
One S. Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Tel. (415) 701-5500
Fax. (415) 701-5501

MCC No: ______________________________

Name of Applicant_______________________

RECAPTURE NOTICE AND COMPUTATION WORKSHEET (MCC-8)

*** TO BE DELIVERED TO MORTGAGOR AT CLOSE OF ESCROW; FOR ALL LOAN CLOSINGS, THE ORIGINAL SIGNATURE OF THIS FORM MUST BE SUBMITTED TO THE CITY ***

Because you are receiving a mortgage credit certificate with your mortgage loan, you are receiving the benefit of a credit against your federal income taxes. If you sell or otherwise dispose of your home during the next nine years, this benefit may be "recaptured." The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. You may be subject to recapture even if you cease to claim the mortgage credit prior to the end of the nine-year period (for example, if you refinance the property). The recapture only applies, however, if you sell your home at a gain and if your income increases above specified levels. You may wish to consult a tax advisor or the local office or the Internal Revenue Service at the time you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. (See Section 143(m) of the Internal Revenue Code generally.) The following information will assist you in determining the amount, if any, of "recapture tax":

1. ____ (MORTGAGOR'S NAME)
   WHO SHALL BE REFERRED TO AS " MORTGAGOR'S)"

   ____ (CO- MORTGAGOR'S NAME)
   WHO SHALL BE REFERRED TO AS "CO- MORTGAGOR'S
2. Date of Home Mortgage Closing: ______________________________
3. The "residence" located at:

   ______________________________ ***SAN FRANCISCO, CA*** ______________________
   (STREET ADDRESS OF RESIDENCE TO BE PURCHASED) CITY ZIP CODE
4. Principal amount of Home Mortgage on date of Mortgage Closing $ ______________________________
5. Is the Home in an IRS Targeted Area? ☐ Yes ☐ No

A. ARE YOU SUBJECT TO RECAPTURE?

You will be subject to a special recapture tax for the tax year in which you sell or transfer your home only if you meet all four of the following conditions.

1. You sell or transfer the home ***on or before*** ______________________________ (Add 9 years from the date of the Mortgage Closing listed above), and
2. You sell or transfer the home ***at a gain*** (determined by the IRS form on gain from sale of a single-family residence, whether or not you decide to rollover the gain), and

   The Home is ***not***:

   a. Transferred as a result of ***your*** death,

   b. Transferred to your spouse or to your former spouse as a result of divorce and you have no gain or loss included in your income under Section 1041 of the Internal Revenue Code (in which case the spouse or former spouse is treated as if he or she had been the owner from the date of Mortgage Closing), or

   c. Replaced as your principal residence on the site of the home financed with your original subsidized mortgage loan within two years of its destruction by fire, storm, or other casualty; and

3. Your modified adjusted gross income for the ***taxable*** year in which you sell your home exceeds the following ***Adjusted Qualifying Income***.

Your Home _____is not ______ is located in a Targeted Area. If it is in a Targeted Area, you may use the higher limits listed in Table IA below.

Your Modified Adjusted Gross Income means your "adjusted gross income" shown on your federal tax return for the taxable year in which you sell your home increased by any tax exempt bond interest income you receive or accrue in such taxable year that is excluded from your gross income (under Section 103 of the Internal Revenue Code) and decreased by the amount of any gain included in your gross income by reason of the sale of your home.

TABLE I: NON-TARGETED AREA

ADJUSTED QUALIFYING INCOME

Number of Family Members Living in your Home at the Time of Sale:	2 or less* Median x 100%	3 or more* Median x 115%
Date that you sell your home:		
Less than 1 year after Mortgage Closing:	$147,600	$172,200
1 or more years, but less than 2 years after Mortgage Closing:	$154,980	$180,810
2 or more years, but less than 3 years after Mortgage Closing:	$162,729	$189,851
3 or more years, but less than 4 years after Mortgage Closing:	$170,865	$199,343
4 or more years, but less than 5 years after Mortgage Closing:	$179,409	$209,310
5 or more years, but less than 6 years after Mortgage Closing:	$188,379	$219,776
6 or more years, but less than 7 years after Mortgage Closing:	$197,798	$230,764
7 or more years, but less than 8 years after Mortgage Closing:	$207,688	$242,303
8 or more years, but less than 9 years after Mortgage Closing:	$218,072	$254,418

TABLE IA: TARGETED AREA

ADJUSTED QUALIFYING INCOME

Number of Family Members Living in your Home at the Time of Sale:	2 or less* Median x 100%	3 or more* Median x 115%
Date that you sell your home:		
Less than 1 year after Mortgage Closing:	$147,600	$172,200
1 or more years, but less than 2 years after Mortgage Closing:	$154,980	$180,810
2 or more years, but less than 3 years after Mortgage Closing:	$162,729	$189,851
3 or more years, but less than 4 years after Mortgage Closing:	$170,865	$199,343
4 or more years, but less than 5 years after Mortgage Closing:	$179,409	$209,310
5 or more years, but less than 6 years after Mortgage Closing:	$188,379	$219,776
6 or more years, but less than 7 years after Mortgage Closing:	$197,798	$230,764
7 or more years, but less than 8 years after Mortgage Closing:	$207,688	$242,303
8 or more years, but less than 9 years after Mortgage Closing:	$218,072	$254,418

Or high housing cost adjustment, if applicable. The entries in the first row are the highest qualifying incomes as of the date of loan closing. The entries in each subsequent row equal the entries in the immediately preceding row times 1.05.

B. HOW MUCH RECAPTURE TAX WOULD YOU OWE?

If you meet all three of the above conditions, then you will be subject to the recapture tax.

The maximum potential recapture tax that you may be required to pay as an addition to your federal income tax is $_________. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan. The actual recapture tax, if any, can only be determined when you sell your home, and is the lesser of (I) 50% of your gain on the sale of the home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (ii) your recapture amount, determined in Steps 1 and 2 below.

1. Calculation of Recapture Amount

Step A: Calculate the maximum potential recapture tax in the year of sale shown below:

TABLE II MAXIMUM POTENTIAL RECAPTURE TAX

Date of Sale or Transfer of Home (or Prepayment of Mortgage if Earlier)	Percentage of Original Mortgage	Dollar Amount Based Original Mortgage of
		$________________
Before 1 year after Mortgage Closing:	1.25%	$________________
1 or more years, but less than 2 years after Mortgage Closing:	2.50%	$________________
2 or more years, but less than 3 years after Mortgage Closing:	3.75%	$________________
3 or more years, but less than 4 years after Mortgage Closing:	5.00%	$________________
4 or more years, but less than 5 years after Mortgage Closing:	6.25%	$________________
5 or more years, but less than 6 years after Mortgage Closing:	5.00%	$________________
6 or more years, but less than 7 years after Mortgage Closing:	3.75%	$________________
7 or more years, but less than 8 years after Mortgage Closing:	2.50%	$________________
8 or more years, but less than 9 years after Mortgage Closing:	1.25%	$________________

Example: If the home was sold between 1 and 2 years after Mortgage Closing, use 2.5% of original mortgage. Thus if original mortgage was $100,000, the maximum potential recapture tax would be $2,500 ($100,000 x 2.5%).

Step B: Possible Reduction

Determine whether your Modified Adjusted Gross Income, in the taxable year in which you sell the home, exceeds the Adjusted Qualifying Income shown in Table I or Table IA, as applicable, and if it does whether such excess is more or less than $5,000 above the Adjusted Qualifying Income shown in Table I or Table IA, as applicable.

Example: If you have a 2 person household and your Modified Adjusted Gross Income is $53,000, and the Adjusted Qualifying Income in Table I or Table IA, as applicable, for that year is $50,000, your "excess income" is $3,000:

Actual Household Income	$53,000
- Income Limit (From Table I or Table IA)	$50,000
Excess Income above Adjusted Qualifying Income	$3,000

You will be in one of three situations:

(I) Your Modified Adjusted Gross Income does not exceed the Adjusted Qualifying Income: You are not subject to any recapture tax at all.

(ii) Your Modified Adjusted Gross Income is greater than $5,000 above the Adjusted Qualifying Income: There is no reduction in the maximum potential recapture tax calculated in Step 1.

(iii) Your Modified Adjusted Gross Income is less than $5,000 above the Adjusted Qualifying Income: Your maximum potential recapture tax will be reduced pro rata, as shown below:

If your excess Modified Adjusted Gross Income is less than $5,000 above the Adjusted Qualifying Income, the revised maximum potential recapture tax would be:

$$\text{Revised Maximum Potential Recapture Tax} = \frac{\text{Excess Income (from Step 2)}}{\$5{,}000} \times \text{Maximum Potential Recapture Tax (from Table II)}$$

Example:

Actual Income -
Adjusted Qualifying Income = $3,000 = 60% x $2,500 Maximum Potential Recapture
$5,000 $5,000 Tax (from Table II)
= $1,500 Revised Maximum Potential Recapture Tax

Thus, the maximum potential recapture tax of $2,500 determined in Step 1 would be reduced to $1,500 due to the calculation in Step 2.

2. Gain on Sale of Home:

Finally, compare the revised maximum potential recapture tax (from Step 2) to one-half of your actual gain from the sale of the home. (Your "Gain" is generally defined by the IRS to be the resale price less (I) sale costs, (ii) your original purchase price, and (iii) your cost of capital improvements. This is true whether or not you rollover the gain.) Whichever is less is the amount of recapture tax liability

Example: Revised Maximum Potential Recapture Tax = $1,500

· Gain from Sale of Home

	Sale Price	$150,000	
-	Closing Costs	$ 8,000	
		$142,000	
-	Basis in Home	140,000	($130,000 initial price plus $10,000 cost of improvements)
	Gain	$2,000	
	x ½	=$ 1,000	

· Lesser of $1,500 and $1,000 is $1,000; so $1,000 is the recapture tax liability.

Other Factors Affecting the Recapture Tax

All references to the "sale" or "transfer" of the home include any change in your interest in the Home, whether by sale, exchange, gift or some other disposition.

If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.

If any person other than you or your spouse is also a mortgagor, each person's Recapture Tax will be determined separately in accordance with his or her interest in the home.

The Recapture Tax may also be somewhat reduced if you repay your loan in full (e.g., refinance) during the nine-year recapture period and you sell your home during this period under a special rule in Section 143(m)(4)(C)(ii) of the Internal Revenue Code.

Other special rules may apply in particular circumstances.

This Recapture Notice is provided by the City and County of San Francisco pursuant to Section 143(m)(7) of the Internal Revenue Code. Please acknowledge that you have received and have read this Recapture Notice by signing in the space(s) provided below.

CITY AND COUNTY OF SAN FRANCISCO, Issuer

ACKNOWLEDGED:

Signature of Mortgagor _Signature of Mortgagor_ _Date_