The MCC helps eligible home buyers three ways. First, lenders can use the tax credit to help qualify buyers for a loan; second, MCC holders can have more cash in their paycheck; and third, MCC holders can claim this tax credit each year they pay on their mortgage.

**How it works:**

An MCC holder is able to claim up to 20% of annual mortgage interest paid as a federal income tax credit. The remaining mortgage interest (80%) continues to qualify as an itemized deduction. For example, a borrower with a $150,000 loan at 4% will pay $6,000 mortgage interest the first year. Twenty percent of this, or $1,200, can be a dollar-for-dollar reduction of federal income taxes! This tax credit continues at 20% of mortgage interest paid each year, as long as the home is owner-occupied.

The MCC may even be re-issued, in the event the home is refinanced. Eligibility requirements are identical to the MBOH loan program, and include:

**Income Limits:** Ranges from $70,500 to $121,800 based on household size and location.

**Spending Limits:** Current spending limits range from $283,348 to $454,142 based on location.

**First-time Homebuyer Requirement:** Someone who has not owned their home for past three years. (Exceptions include some veterans; ownership of manufactured home on a rented lot; and certain targeted areas.)

**Owner Occupancy:** The MCC is valid for the life of the loan, if owner-occupied.

**Business Use Limits:** Trade or business use of a residence cannot exceed 15% of area square footage.

**Recapture Tax:** A federal recapture tax may apply only if all three of the following occur:

** The home is sold in the first nine years;  
** There is a substantial gain on the sale;  
** The family has a significant increase in household income by the year of sale.

**Important things to note:**

1. MCC is a non-refundable federal income tax credit, limited to $2,000 per year. Tax professionals should be consulted for specific guidance.
2. MCC canNOT be combined with an MBOH loan. It is attached to a lender loan held in their portfolio, or sold to other investors.
3. Participating lenders process MCC applications on behalf of eligible borrowers.
4. The MCC requires a one-time fee paid at closing.

For more information:

Go to [https://housing.mt.gov/Homeownership/Lenders/Mortgage-Credit-Certificate-Program](https://housing.mt.gov/Homeownership/Lenders/Mortgage-Credit-Certificate-Program) or call 406-841-2840

(Updated 01/2020)