



Mortgage Credit Certificates

A little-known tax credit for first-time home buyers

Yes, other tax credit programs expired, and it may not be so easy to qualify for a loan, but the MCC program (Mortgage Credit Certificates) offered by Montana Board of Housing is still available to help Montana home buyers. Borrowers can use this option to increase their purchasing power, reduce tax liability, or both.

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: 2012 limits range from \$67,920 to \$98,420 based on household size and location.

Spending limits: Current spending limits range from \$250,200 to \$356,539 based on location. **First-**

time home buyer: 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 can not exceed 15 percent.

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; **and**

** There is a substantial gain on the sale; **and**

** 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.

More information: <http://housing.mt.gov/HBMCC> or call 406-841-2840