

Homebuyers interested in using the North Dakota Housing Finance Agency's (NDHFA) FirstHome or HomeAccess mortgage loan programs may be worried about the Federal Recapture Tax. In reality, most borrowers will not pay any Recapture Tax. If they do, NDHFA will reimburse the borrower if the home was purchased after October 1, 2006.

## HOW DOES THE RECAPTURE TAX WORK?

To owe any recapture tax at all, the following conditions must be met:

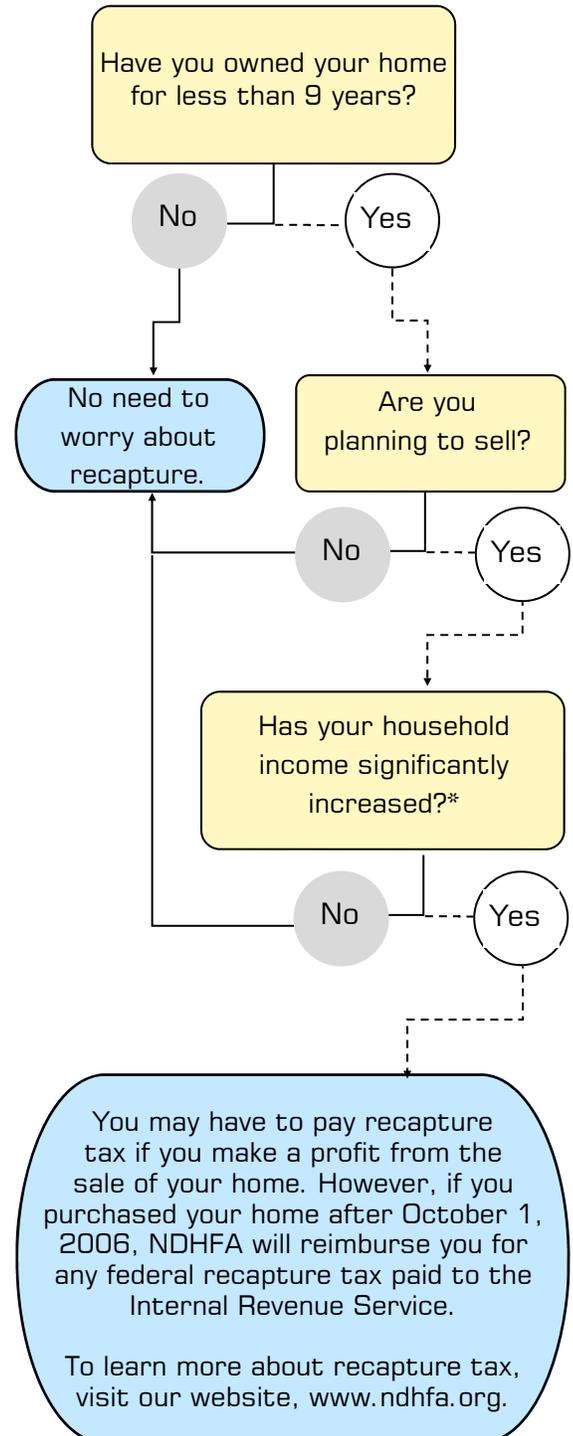
- Sell the home within nine years of purchase.
- Earn significantly more income than when the home was purchased.
- Make a profit from the sale of the home.

Recapture taxes are figured on a scale based on the number of years the homebuyer has lived in the house increasing 1.25 percent each year to 6.25 percent in year five. From year's six to nine, the percentage decreases 1.25 percent. Any tax owed is calculated as a percentage of the original loan amount.

For example: Fred purchased a home for \$200,000 and decided to sell the home two years later. His household income now exceeds the federal limit and he sold his home for \$220,000, realizing a profit. The maximum tax he would pay would be \$5,000 ( $200,000 \times .0250$ ). If Fred sold in year nine, the recapture would be \$2,500 ( $200,000 \times .0125$ ).

The financial benefits of having an NDHFA loan greatly outweigh the risk of recapture.

To learn more about the NDHFA's recapture tax reimbursement program, <https://www.ndhfa.org/AccountServices/Resources/RecaptureTax.pdf>.



\*Limits provided at loan closing.