

5/2019

PHFA Form 4

NOTICE TO MORTGAGOR OF POTENTIAL RECAPTURE TAX UPON SALE OF HOME*

A. INTRODUCTION: As a recipient of a Mortgage Credit Certificate OR a mortgage loan from the proceeds of a tax-exempt bond, you may be subject to a recapture tax if you sell your home during the next nine years. The recapture is accomplished by an increase in your federal income tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain and if your income increases more than 5% per year. The recapture tax may also apply if you dispose of your home in some other way. Any references in this notice to the "sale" of your home also include other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

B. MAXIMUM RECAPTURE TAX & CALCULATION OF TAX DUE, if any:

NO RECAPTURE TAX DUE: In the following situations, no recapture tax is due and you do not need to do the calculations listed below:

- 1. You sell your home more than nine years after settlement.
2. Your home is disposed of as a result of your death.
3. You transfer your home either to your spouse or to your former spouse in connection with a divorce and you have no gain or loss included in your income under section 1041 of the Internal Revenue Code, or
4. You dispose of your home at a loss.

MAXIMUM RECAPTURE TAX: The maximum recapture tax that you may have to pay 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 be determined when you sell your home, and is the lesser of (1) 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes, or (2) your RECAPTURE AMOUNT determined below:

- 1. If home is sold before the 1st anniversary of closing, or on or after the 8th anniversary but before the 9th, your recapture amount will be 1.25% of your original principal mortgage amount.
2. If home is sold on or after 1st anniversary of closing but before the 2nd, or on or after the 7th anniversary but before the 8th, your recapture amount will be 2.5% of your original principal mortgage amount.
3. If home is sold on or after 2nd anniversary of closing but before the 3rd, or on or after the 6th anniversary but before the 7th, your recapture amount will be 3.75% of your original principal mortgage amount.
4. If home is sold on or after 3rd anniversary of closing but before the 4th, or on or after the 5th anniversary but before the 6th, your recapture amount will be 5% of your original principal mortgage amount.
5. If home is sold on or after 4th anniversary of closing but before the 5th your recapture amount will be 6.25% of your original principal mortgage amount. This is the maximum recapture amount.

C. INCOME CALCULATION. You can calculate the income as follows: SUBTRACT the applicable ADJUSTED QUALIFYING INCOME in the taxable year in which you sell your home, as listed on Page 2 of this form, FROM your MODIFIED ADJUSTED GROSS INCOME in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments: (a) your adjusted gross income must be INCREASED by the amount of any interest that you receive or accrue in the taxable year from tax exempt bonds that is excluded from your gross income (under section 103 of the Internal Revenue Code); and (b) your adjusted gross income must be DECREASED by the amount of any gain included in your gross income by reason of the sale of your home.

Your adjusted qualifying income can be obtained from Page 2 of this form. Start by finding the area and county in which your PHFA-financed property is located. If the area is not specified, you would use the income figure from "All Other Counties". You would then choose the family size at the time of sale, whether it be 1 to 2 members or 3 or more. Once you have the correct row selected for the income, you would choose the correct column by selecting the year in which you are selling your home. Use this figure for you ADJUSTED QUALIFYING INCOME.

NOTE: If your income calculation above is zero or less, you owe no recapture tax. If it is \$5000 or more, you will owe 100% of the recapture amount. If it is greater than zero but less than \$5,000, it must be divided by \$5000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

D. LIMITATIONS AND SPECIAL RULES ON RECAPTURE TAX.

- 1. 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.
2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of home financed with your original subsidized mortgage loan.
3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.
4. If you repay your loan in full during the nine year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in section 143(m)(4)(C)(ii) of the Internal Revenue Code.
5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when 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.

* NOTICE - RECAPTURE TAX REIMBURSEMENT: If you ever have to pay a recapture tax in connection with the sale of this home, PHFA agrees to reimburse you, as long as you applied for this PHFA loan or Mortgage Credit Certificate on or after January 1, 2004.

I/We have read and acknowledged receipt of pages 1 and 2 of this form.

Borrower's Signature _____ Date _____

Borrower's Signature _____ Date _____

RECAPTURE TAX INCOME LIMITS FOR 2019 (effective for reservations on or after 5/31/19)

Counties	Family Size By Members	Less Than								
		1 Year	1 To 2	2 To 3	3 To 4	4 To 5	5 To 6	6 To 7	7 To 8	8 To 9
ADAMS COUNTY	1 TO 2	79,400	83370	87539	91915	96511	101337	106404	111724	117310
	3 OR MORE	91,300	95865	100658	105691	110976	116525	122351	128468	134892
ALLENTOWN MSA (Carbon, Lehigh, Northampton)	1 TO 2	79,800	83790	87980	92378	96997	101847	106940	112287	117901
	3 OR MORE	91,700	96285	101099	106154	111462	117035	122887	129031	135483
ELK, FRANKLIN, INDIANA, LEBANON, MCKEAN, UNION, AND WARREN COUNTIES	1 TO 2	76,900	80745	84782	89021	93472	98146	103053	108206	113616
	3 OR MORE	88,400	92820	97461	102334	107451	112823	118464	124388	130607
ERIE MSA (Erie)	1 TO 2	76,900	80745	84782	89021	93472	98146	103053	108206	113616
	3 OR MORE	88,400	92820	97461	102334	107451	112823	118464	124388	130607
FAYETTE and WASHINGTON COUNTIES	1 TO 2	95,800	100590	105620	110900	116445	122268	128381	134800	141540
	3 OR MORE	111,800	117390	123260	129422	135894	142688	149823	157314	165180
HARRISBURG MSA (Cumberland, Dauphin)	1 TO 2	81,100	85155	89413	93883	98578	103506	108682	114116	119822
	3 OR MORE	93,200	97860	102753	107891	113285	118949	124897	131142	137699
LANCASTER MSA (Lancaster)	1 TO 2	76,900	80745	84782	89021	93472	98146	103053	108206	113616
	3 OR MORE	88,400	92820	97461	102334	107451	112823	118464	124388	130607
MONROE COUNTY	1 TO 2	78,800	82740	86877	91221	95782	100571	105600	110880	116423
	3 OR MORE	90,600	95130	99887	104881	110125	115631	121413	127483	133857
NEWBURGH MSA (Pike)	1 TO 2	90,400	94920	99666	104649	109882	115376	121145	127202	133562
	3 OR MORE	105,500	110775	116314	122129	128236	134648	141380	148449	155872
PERRY COUNTY	1 TO 2	97,300	102165	107273	112637	118269	124182	130391	136911	143756
	3 OR MORE	113,500	119175	125134	131390	137960	144858	152101	159706	167691
PITTSBURGH MSA (Allegheny, Beaver, Butler, Westmoreland)	1 TO 2	79,900	83895	88090	92494	97119	101975	107074	112427	118049
	3 OR MORE	91,800	96390	101210	106270	111583	117163	123021	129172	135630
PHILADELPHIA MSA (Bucks, Chester, Delaware, Montgomery)	1 TO 2	90,100	94605	99335	104302	109517	114993	120743	126780	133119
	3 OR MORE	103,600	108780	114219	119930	125926	132223	138834	145776	153064
PHILADELPHIA COUNTY	1 TO 2	108,100	113505	119180	125139	131396	137966	144864	152108	159713
	3 OR MORE	126,100	132405	139025	145977	153275	160939	168986	177435	186307
READING MSA (Berks)	1 TO 2	76,900	80745	84782	89021	93472	98146	103053	108206	113616
	3 OR MORE	88,400	92820	97461	102334	107451	112823	118464	124388	130607
STATE COLLEGE MSA (Centre)	1 TO 2	93,000	97650	102533	107659	113042	118694	124629	130860	137403
	3 OR MORE	106,900	112245	117857	123750	129938	136434	143256	150419	157940
YORK MSA (York)	1 TO 2	76,900	80745	84782	89021	93472	98146	103053	108206	113616
	3 OR MORE	88,400	92820	97461	102334	107451	112823	118464	124388	130607
ALL OTHER COUNTIES Non Target	1 TO 2	92,200	96810	101651	106733	112070	117673	123557	129735	136221
	3 OR MORE	107,600	112980	118629	124560	130788	137328	144194	151404	158974