

11/15/ 22

PHFA Form 4

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

A. INTRODUCTION: As a recipient of 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 on or after January 1, 2004. For recapture tax inquiries, please contact PHFA at 855-827-3466 or askphfa@phfa.org.

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

Borrower's Signature _____ Date _____

Borrower's Signature _____ Date _____

RECAPTURE TAX INCOME LIMITS FOR 2022 (effective for reservations on or after 8/1/2022)

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	90,300	94815	99556	104534	109760	115248	121011	127061	133414
	3 OR MORE	103,800	108990	114440	120161	126170	132478	139102	146057	153360
ALLENTOWN MSA (Carbon, Lehigh, Northampton)	1 TO 2	90,600	95130	99887	104881	110125	115631	121413	127483	133857
	3 OR MORE	104,100	109305	114770	120509	126534	132861	139504	146479	153803
ELK, FRANKLIN, INDIANA, LEBANON, MCKEAN, UNION, AND WARREN COUNTIES	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
ERIE MSA (Erie)	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
FAYETTE and WASHINGTON COUNTIES	1 TO 2	114,400	120120	126126	132432	139054	146007	153307	160972	169021
	3 OR MORE	133,500	140175	147184	154543	162270	170384	178903	187848	197240
HARRISBURG MSA (Cumberland, Dauphin)	1 TO 2	94,300	99015	103966	109164	114622	120353	126371	132690	139324
	3 OR MORE	108,400	113820	119511	125487	131761	138349	145266	152530	160156
LANCASTER MSA (Lancaster)	1 TO 2	90,200	94710	99446	104418	109639	115121	120877	126920	133266
	3 OR MORE	103,700	108885	114329	120046	126048	132350	138968	145916	153212
MONROE COUNTY	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
NEWBURGH MSA (Pike)	1 TO 2	106,900	112245	117857	123750	129938	136434	143256	150419	157940
	3 OR MORE	124,700	130935	137482	144356	151574	159152	167110	175465	184239
PERRY COUNTY	1 TO 2	113,100	118755	124693	130927	137474	144347	151565	159143	167100
	3 OR MORE	132,000	138600	145530	152807	160447	168469	176893	185737	195024
PITTSBURGH MSA (Allegheny, Beaver, Butler, Westmoreland)	1 TO 2	95,400	100170	105179	110437	115959	121757	127845	134237	140949
	3 OR MORE	109,700	115185	120944	126991	133341	140008	147008	154359	162077
PHILADELPHIA MSA (Bucks, Chester, Delaware, Montgomery)	1 TO 2	105,400	110670	116204	122014	128114	134520	141246	148308	155724
	3 OR MORE	121,200	127260	133623	140304	147319	154685	162420	170541	179068
PHILADELPHIA COUNTY	1 TO 2	126,400	132720	139356	146324	153640	161322	169388	177857	186750
	3 OR MORE	147,500	154875	162619	170750	179287	188252	197664	207547	217925
READING MSA (Berks)	1 TO 2	90,700	95235	99997	104997	110246	115759	121547	127624	134005
	3 OR MORE	104,300	109515	114991	120740	126777	133116	139772	146761	154099
STATE COLLEGE MSA (Centre)	1 TO 2	97,300	102165	107273	112637	118269	124182	130391	136911	143756
	3 OR MORE	111,800	117390	123260	129422	135894	142688	149823	157314	165180
YORK MSA (York)	1 TO 2	93,300	97965	102863	108006	113407	119077	125031	131282	137847
	3 OR MORE	107,200	112560	118188	124097	130302	136817	143658	150841	158383
ALL OTHER COUNTIES Non Target	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