

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 2024 (effective for reservations on or after 7/1/2024)

| 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 | 100,500 | 105525 | 110801 | 116341 | 122158 | 128266 | 134680 | 141414 | 148484 |
| | 3 OR MORE | 115,500 | 121275 | 127339 | 133706 | 140391 | 147411 | 154781 | 162520 | 170646 |
| ALLENTOWN MSA (Carbon, Lehigh, Northampton) | 1 TO 2 | 98,800 | 103740 | 108927 | 114373 | 120092 | 126097 | 132401 | 139022 | 145973 |
| | 3 OR MORE | 113,600 | 119280 | 125244 | 131506 | 138082 | 144986 | 152235 | 159847 | 167839 |
| ELK, FRANKLIN, INDIANA, LEBANON, MCKEAN, UNION, AND WARREN COUNTIES | 1 TO 2 | 98,800 | 103740 | 108927 | 114373 | 120092 | 126097 | 132401 | 139022 | 145973 |
| | 3 OR MORE | 113,600 | 119280 | 125244 | 131506 | 138082 | 144986 | 152235 | 159847 | 167839 |
| ERIE MSA (Erie) | 1 TO 2 | 98,800 | 103740 | 108927 | 114373 | 120092 | 126097 | 132401 | 139022 | 145973 |
| | 3 OR MORE | 113,600 | 119280 | 125244 | 131506 | 138082 | 144986 | 152235 | 159847 | 167839 |
| FAYETTE and WASHINGTON COUNTIES | 1 TO 2 | 123,100 | 129255 | 135718 | 142504 | 149629 | 157110 | 164966 | 173214 | 181875 |
| | 3 OR MORE | 143,600 | 150780 | 158319 | 166235 | 174547 | 183274 | 192438 | 202060 | 212163 |
| HARRISBURG MSA (Cumberland, Dauphin) | 1 TO 2 | 102,700 | 107835 | 113227 | 118888 | 124832 | 131074 | 137628 | 144509 | 151735 |
| | 3 OR MORE | 118,100 | 124005 | 130205 | 136716 | 143551 | 150729 | 158265 | 166179 | 174487 |
| LANCASTER MSA (Lancaster) | 1 TO 2 | 106,700 | 112035 | 117637 | 123519 | 129695 | 136179 | 142988 | 150138 | 157644 |
| | 3 OR MORE | 122,700 | 128835 | 135277 | 142041 | 149143 | 156600 | 164430 | 172651 | 181284 |
| MONROE COUNTY | 1 TO 2 | 103,500 | 108675 | 114109 | 119814 | 125805 | 132095 | 138700 | 145635 | 152917 |
| | 3 OR MORE | 119,000 | 124950 | 131198 | 137757 | 144645 | 151878 | 159471 | 167445 | 175817 |
| NEWBURGH MSA (Pike) | 1 TO 2 | 115,200 | 120960 | 127008 | 133358 | 140026 | 147028 | 154379 | 162098 | 170203 |
| | 3 OR MORE | 134,400 | 141120 | 148176 | 155585 | 163364 | 171532 | 180109 | 189114 | 198570 |
| PERRY COUNTY | 1 TO 2 | 123,200 | 129360 | 135828 | 142619 | 149750 | 157238 | 165100 | 173355 | 182023 |
| | 3 OR MORE | 143,700 | 150885 | 158429 | 166351 | 174668 | 183402 | 192572 | 202200 | 212310 |
| PITTSBURGH MSA (Allegheny, Beaver, Butler, Westmoreland) | 1 TO 2 | 102,600 | 107730 | 113117 | 118772 | 124711 | 130946 | 137494 | 144369 | 151587 |
| | 3 OR MORE | 117,900 | 123795 | 129985 | 136484 | 143308 | 150474 | 157997 | 165897 | 174192 |
| PHILADELPHIA MSA (Bucks, Chester, Delaware, Montgomery) | 1 TO 2 | 114,700 | 120435 | 126457 | 132780 | 139419 | 146389 | 153709 | 161394 | 169464 |
| | 3 OR MORE | 131,900 | 138495 | 145420 | 152691 | 160325 | 168342 | 176759 | 185597 | 194876 |
| PHILADELPHIA COUNTY | 1 TO 2 | 137,600 | 144480 | 151704 | 159289 | 167254 | 175616 | 184397 | 193617 | 203298 |
| | 3 OR MORE | 160,500 | 168525 | 176951 | 185799 | 195089 | 204843 | 215085 | 225840 | 237132 |
| READING MSA (Berks) | 1 TO 2 | 98,800 | 103740 | 108927 | 114373 | 120092 | 126097 | 132401 | 139022 | 145973 |
| | 3 OR MORE | 113,600 | 119280 | 125244 | 131506 | 138082 | 144986 | 152235 | 159847 | 167839 |
| STATE COLLEGE MSA (Centre) | 1 TO 2 | 115,500 | 121275 | 127339 | 133706 | 140391 | 147411 | 154781 | 162520 | 170646 |
| | 3 OR MORE | 132,800 | 139440 | 146412 | 153733 | 161419 | 169490 | 177965 | 186863 | 196206 |
| YORK MSA (York) | 1 TO 2 | 105,100 | 110355 | 115873 | 121666 | 127750 | 134137 | 140844 | 147886 | 155281 |
| | 3 OR MORE | 120,800 | 126840 | 133182 | 139841 | 146833 | 154175 | 161884 | 169978 | 178477 |
| ALL OTHER COUNTIES Non Target | 1 TO 2 | 118,500 | 124425 | 130646 | 137179 | 144037 | 151239 | 158801 | 166741 | 175078 |
| | 3 OR MORE | 138,300 | 145215 | 152476 | 160100 | 168105 | 176510 | 185335 | 194602 | 204332 |