THDA Mortgage Loan
Recapture Tax

Congress determined the benefit of the reduced interest rate should be repaid if people sell their home within nine years of the date they bought their home with a THDA mortgage loan. This repayment, if any, is in the form of a tax, called the recapture tax, which applies to all people who obtained a THDA mortgage loan after December 31, 1990.

- Recapture tax is a Federal income tax requirement, NOT a THDA requirement.
- The Internal Revenue Service (IRS) enforces the recapture tax requirement.
- Use IRS Form 8828 "Recapture of Federal Mortgage Subsidy" for calculating recapture tax. This form may be ordered from the IRS by calling 1-800-829-3676.
- Liability for Federal recapture tax is a condition of obtaining a THDA mortgage loan.
- Federal recapture tax applies to all THDA first mortgage loans made since January 1, 1991.
- Whether a THDA borrower has to pay any recapture tax depends on facts and circumstances at the time the THDA borrower sells the house purchased with the THDA mortgage loan.
- The maximum recapture tax a THDA borrower may have to pay depends on:
  1. Length of time since the original THDA loan closing;
  2. The THDA borrower's current family size and income;
  3. Whether gain is realized on the sale of the house, and
  4. Whether the house is transferred to a spouse or former spouse as a result of a divorce or whether the house is transferred due to the THDA borrower's death.

- A THDA borrower will never have to pay any recapture tax if they sell their house more than nine years after they originally closed on their THDA mortgage loan.
- A THDA borrower will always have to calculate whether or not they have to pay recapture tax if they sell their house within nine years from the date they originally closed their THDA mortgage loan even if they previously refinanced and paid off the THDA mortgage loan.
- Refinancing and paying off a THDA mortgage loan does not eliminate recapture tax liability if the house originally purchased with a THDA mortgage loan is later sold within the nine year period.
- Selling a house purchased with a THDA mortgage loan to someone who qualifies for and assumes the THDA mortgage loan DOES NOT eliminate recapture tax for the THDA borrower who is selling the house.
- A buyer who qualifies to assume a THDA mortgage loan also has a recapture tax liability that extends for nine years from the date they assume the THDA mortgage loan.
- We send THDA borrowers a two-page recapture form with information specific to their mortgage loan within ninety days following closing.
- Refer THDA borrowers to a qualified tax preparer for more information about how recapture tax may specifically affect them.