CONTRA COSTA COUNTY
DEPARTMENT OF CONSERVATION AND DEVELOPMENT
Mortgage Credit Certificate Program
30 Muir Road
Martinez, CA 94553
925-674-7885

MCC NO: _____
NAME: _____
SOCIAL SECURITY: _____
NAME: _____
SOCIAL SECURITY: _____

NOTICE TO MORTGAGOR OF INFORMATION REGARDING POTENTIAL RECAPTURE TAX
(to be delivered to Mortgagor at close of escrow)

A. INTRODUCTION

Because you have received a Single Family Bond Loan or Mortgage Credit Certificate, pursuant to Section 143(m) of the Internal Revenue Code of 1986 (the "Code"), you may at the time you sell the residence for which you received a Single Family Bond Loan or Mortgage Credit Certificate, be subject to a special "recapture tax" for federal income tax purposes. You should consult your tax advisor at the time you sell the residence to determine the amount, if any, of such "recapture tax." The following information will assist you in determining the amount, if any of "recapture tax".

1. Name of Mortgagor(s) _____

   _____

2. Date of Home Mortgage Closing:_____

3. Location of Home: _____

4. Principal Amount of Home Mortgage on date of closing: _____

5. This property is in an IRS Target Area (check one) Yes _____ No_____

B. ARE YOU SUBJECT TO RECAPTURE?

You will be subject to a special recapture tax for the tax year in which you sell or transfer your home only if you meet all of the four following conditions:

1. You sell or transfer the home on or before _____(insert date which is nine (9) years from the date of Mortgage Closing listed in A2 above), and

2. You sell or transfer the home at a gain (determined by the IRS form on gain from sale of a single-family residence, whether or not you decide to rollover the gain), and

3. The home is not:

   a. transferred as a result of death,
   b. transferred to a former spouse as a result of divorce (in which case the former spouse is treated as if he/she had been the owner from the Closing Date), or
   c. rebuilt from casualty insurance proceeds within two years after its destruction; and

4. Your household's taxable income for the year in which you sell your home exceeds the following Income threshold. If the response to A5 above is no, refer to Table 1A below. If response to A5 above is yes, refer to Table 1B below.

Your taxable income is the "adjusted gross income" from your tax return for the year in which you sell your home, plus any tax exempt bond interest income you may have. (However, don't include any gain from the sale of the home itself when determining whether you exceed the income threshold listed below.)

TABLE 1A
Income Threshold - Non Target Areas

	1 or 2 persons	3+ persons (Mortgagor's household size at the time of resale of the home)
Year 1, (Qualifying Income)	**110,760**	**129,220**
1 to 2 years	**116,298**	**135,681**
2 to 3 years	**122,113**	**142,465**
3 to 4 years	**128,219**	**149,588**
4 to 5 years	**134,630**	**157,067**
5 to 6 years	**141,698**	**164,920**
6 to 7 years	**148,782**	**173,166**
7 to 8 years	**156,221**	**181,824**
8 to 9 years	**164,032**	**190,915**

TABLE 1B
Income Threshold - Target Areas

	1 or 2 persons	3+ persons (Mortgagor's household size at the time of resale of the home)
Year 1, (Qualifying Income)	**110,760**	**129,220**
1 to 2 years	**116,298**	**135,681**
2 to 3 years	**122,113**	**142,465**
3 to 4 years	**128,219**	**149,588**
4 to 5 years	**134,630**	**157,067**
5 to 6 years	**141,698**	**164,920**
6 to 7 years	**148,782**	**173,166**
7 to 8 years	**156,221**	**181,824**
8 to 9 years	**164,032**	**190,915**

C. HOW MUCH RECAPTURE TAX WOULD YOU OWE?

If you meet all four of the above conditions, then you will be subject to recapture tax.

The amount of the recapture tax is:

- the maximum potential recapture tax (calculated under "Step 1 and 2" below).
- But in any case not more than 1/2 of your gain from the sale of the home (under "Step 3" below).

Step 1: Maximum Potential Recapture Tax

The maximum potential amount of tax you can owe is calculated in three steps.

Figure out the maximum recapture tax in the year of sale shown below:

TABLE II

MAXIMUM POTENTIAL RECAPTURE TAX

Date of Sale or Transfer of Home (or Prepayment of Mortgage If Earlier).	Percentage Of Original Mortgage	Dollar Amount Based on Original Mortgage of: $_____ (complete with Mortgage Amount from A4)
Before:		
1 year after mortgage Closing:	1.25%	_____
1 or more years, but less than 2 years after mortgage closing:	2.50%	_____
2 or more years, but less than 3 years after mortgage closing:	3.75%	_____
3 or more years, but less than 4 years after mortgage closing:	5.00%	_____
4 or more years, but less than 5 years after mortgage closing:	6.25%	_____
5 or more years, but less than 6 years after mortgage closing:	5.00%	_____
6 or more years, but less than 7 years after mortgage closing:	3.75%	_____
7 or more years, but less than 8 years after mortgage closing:	2.50%	_____
8 or more years, but less than 9 years after mortgage closing:	1.25%	_____

For example, if the home was sold between 1 and 2 years, use 2.50% of the original mortgage amount.
If mortgage was $150,000 x 2.50% = $3750.00

Step 2: Possible Reduction:

Determine if your income, in the year you sell the home, is less than $5,000 above the income limit shown in Table 1A or 1B as applicable.

2A. For example, if you have a 2 person household with an income of $83,000, and the income limit shown in Table 1A for that year us $79,589, your "excess income" is $3,141;

Example:

Actual Household Income	$83,000
-Income Limit (from Table 1A)	79,859
Excess	$ 3,141

You will be in one of three situations:

(i) Your income does not exceed the income limit:
You are not subject to recapture at all.

(ii) Your income is more than $5,000 above the income limit:
There is no reduction in the maximum potential recapture tax from Step 1.

(iii) Your income is less than $5,000 above the income limit:
Your maximum potential recapture tax will be reduced pro-rata, as shown below:

2B. If your excess income is less than $5,000; the maximum potential recapture tax would be:

$$\text{Revised Maximum Recapture Tax} = \frac{\text{Excess Income from (Step 2A) x Maximum Recapture Tax (From Table II).}}{\$5{,}000}$$

Example:

$$\frac{\text{Actual income - Income Threshold}}{\$5{,}000} = \frac{\$3{,}141}{5{,}000} = 63\% \times 3{,}000 \text{ (Assumed Maximum Recapture Tax),}$$

=$1,890 Revised Maximum Potential Recapture Tax

In this example, the maximum potential recapture tax is only $1,890, not $3,000.

Step 3: Gain on Sale of Home

Finally, compare the revised maximum recapture tax (from Step 2B) to one-half of your actual gain from sale of the house. (Your "gain" is generally defined by the IRS to be the resale price less sale costs, your original purchase price, and your cost of capital improvements.) You pay whichever is less.

Example:

- Revised Maximum Recapture Tax - $1,890

- Gain from Sale of Home

Sale Price	$150,000
Closing Costs	8,000
Gain	$142,000

* Basis in Home $140,000 ($130,000 initial price plus $10,000 cost of improvements)

Gain 2,000

X 1/2 = 1,000

* Lesser Amount is $ 1,000

Other Factors Affecting the Recapture Tax

All references to the "sale" or "transfer" of the Home include any change in your interest in the Home, whether by sale,

exchange, gift or some other disposition.

If any person other than you or your spouse is also a mortgagor, each person's Recapture Tax will be determined separately in accordance with his/her interest in the Home.

The Recapture Tax may also be somewhat reduced if you prepay the Mortgage Loan in whole (i.e. refinance) and do not sell the Home until a subsequent year.

This Recapture Notice is provided by the County of Contra Costa (Issuer) pursuant to Section 143 (m)(7) of the Code. Please acknowledge that you have received and have read this Recapture Notice by signing in the space(s) provided below.

County of Contra Costa (Issuer)

ACKNOWLEDGED

_____	_____
Mortgagor	Date
_____	_____
Mortgagor	Date