

THDA LENDER NOTICE: #2021-06

April 16, 2021

SUBJECT: THDA Recapture Tax Reimbursement Program

Effective for all mortgage loans closing on and after May 1, 2021, THDA is implementing the Recapture Tax Reimbursement Program. If a borrower is required to pay recapture tax to the IRS, THDA will reimburse the borrower for the amount as paid and reported to the IRS on Form 8828.

Federal law provides for a possible Recapture Tax when homeowners sell their home within the first nine years after receiving a mortgage through THDA's mortgage revenue bond program. In order for recapture to apply, in addition to selling the home in the first nine years, the borrower must make a "net" profit and have an income that exceeds the IRS established limit in the year the home is sold.

In the event the borrower is subject to recapture tax, once the tax has been paid to the IRS, the borrower will complete the Request for Recapture Tax Reimbursement Form to start the process of THDA reimbursement. Additional information regarding the documentation required from the borrower is outlined in the Notice to Applicants – Federal Recapture Tax Requirements (HO-0448) and in the THDA Welcome Letter provided to the borrower.

Recapture tax happens so infrequently due to the fact that all three requirements must be met. THDA is excited to eliminate the recapture tax risk to our borrowers by offering the Recapture Tax Reimbursement Program.

- OA Guide pages affected:
Pages 3, 5, 23-B
- Forms affected:
Notice to Applicants – Federal Recapture Tax Requirements (HO-0448)