

What is a Mortgage Credit Certificate (MCC)?

- An MCC (Mortgage Interest Credit) -is a federal income **TAX CREDIT** *available to First Time Homebuyers*.
- The amount of the tax credit is calculated at a **percentage** of the annual mortgage interest paid each year.
- The MCC is a **true “tax credit”** that entitles taxpayers the ability to **subtract** the amount of the credit from their total federal income tax liability, receiving a **dollar for dollar savings** (*different from the mortgage interest deduction*).
- Mortgage Interest Credit (MCC) is a **NON-REFUNDABLE TAX CREDIT**, therefore, the homebuyer **MUST** have tax liability in order to take advantage of the tax credit. *(The credit is applied after all other deductions, personal exemptions and certain other credits are taken into account).*



CORRECTED (if checked)

RECIPIENT/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. My Bank 124 Elm Street My Town, TX 99999		*Caution: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, and not reimbursed by another person. OMB No. 1545-0801 2018 Form 1098	Mortgage Interest Statement Copy B For Payer/Borrower The information in boxes 1 through 9 is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points, reported in boxes 1 and 6; or because you didn't report the refund of interest (box 4); or because you claimed a nondeductible item.
1 Mortgage interest received from payer(s)/borrower(s) \$ 8,862.50		2 Outstanding mortgage principal as of 12/31/18 \$	
RECIPIENT/LENDER'S TIN 74-0000000	PAYER'S/BORROWER'S TIN 111-22-3333	3 Mortgage origination date \$	
PAYER'S/BORROWER'S name Ima HomeBuyer		4 Refund of overpaid interest \$	
Street address (including apt. no.) 123 Main Street		5 Mortgage insurance premiums \$	
City or town, state or province, country, and ZIP or foreign postal code My Town, TX 99999		6 Points paid on purchase of principal residence \$	
9 Number of properties securing the mortgage 1	10 Other	7 <input type="checkbox"/> if address of property securing mortgage is the same as PAYER'S/BORROWER'S address, the box is checked, or the address or description is entered in box 6. 8 Address or description of property securing mortgage (see instructions)	
Account number (see instructions)			

Form 1098 (Keep for your records) www.irs.gov/Form1098 Department of the Treasury - Internal Revenue Service

MCC- the Gift that keeps on GIVING...

- **The MCC can** be used to gross up income or qualifying ratios for the borrower (if allowed by loan product guidelines and investor guidelines).
- **The MCC can** reduce federal income taxes owed. Because of the potential tax savings, a MCC holder **may** adjust their W-4 withholdings with their employer.
- With less money withheld for taxes, the MCC holder receives more take-home pay.
- **The MCC may** be combined with the TDHCA My First Texas Home (DPA), or any other local/state DPA program, to provide homebuyer the maximum benefit.
- *Must be a participating lender in both programs to offer both options.*
- *Must follow most restrictive guidelines*

With a MCC the homebuyer has the ability to take the tax credit each year for the life (term) of the mortgage loan, as long as they occupy the home as their principal residence.



How does an individual/family qualify and apply for MCC?

- First Time Homebuyer Requirement
- Income and Purchase Price Limit Requirement
- Homebuyer(s) must have a valid social security number or an Individual Tax Identification Number (ITIN).
- Secure mortgage loan through an approved participating lender – a list of participating lenders can be found on the TDHCA website – www.myfirsttexas.com.
- **MCC reservation is done through mortgage lender.**

Available Statewide



Tax deduction vs. Tax credit

- A **tax deduction** is subtracted from the adjusted gross income before federal income taxes are computed (Schedule A). Therefore, with a deduction, *only a percentage of the amount deducted is realized in savings. (reduces taxable income, which will reduce tax liability)*.
- A **tax credit** entitles taxpayers to subtract the amount of the credit from their total federal income tax liability, receiving a **DOLLAR for DOLLAR** savings.

Although both tax deductions and tax credits reduce your tax burden, a credit allows you to save more than a deduction does.

How? If you have a tax credit of \$1,000, for example, you reduce your tax burden by \$1,000. But if you have a tax deduction of \$1,000, your tax burden is reduced based on your tax bracket. So if you're in the 28% tax bracket, for example, a \$1,000 deduction would reduce your taxes by only \$280.



Texas Mortgage Credit Certificate Program

TDHCA MCC Options:

- **25% MCC Credit**
(up to \$2,000 annual credit)
- **20% MCC Credit**
(no maximum annual credit)

If loan amount x mortgage rate x 20% is less than or equal to \$2,000, choose the **25% MCC Credit Rate**.

In some cases, the 20% MCC Credit may provide a greater benefit than the 25% MCC Credit, as it has no annual maximum credit amount. If loan amount x mortgage rate x 20% is greater than \$2,000, calculate the tax credit eligible to be claimed in accordance with the example provided to determine the credit rate that best meets the borrower's needs and circumstances.

Year 1 Example	LOAN AMOUNT			
	\$150,000		\$250,000	
MCC Credit Rate	25%	20%	25%	20%
Mortgage Interest Rate	5.50%	5.50%	5.50%	5.50%
First Year Mortgage Interest	8,200	8,200	13,666	13,666
Calculated Tax Credit Amount	2,050	1,640	3,416	2,733
Maximum Tax Credit Allowed	2,000	No Limit	2,000	No Limit
Eligible Tax Credit	2,000	1,640	2,000	2,733
Mortgage Interest Deduction	6,200	6,560	11,666	10,933

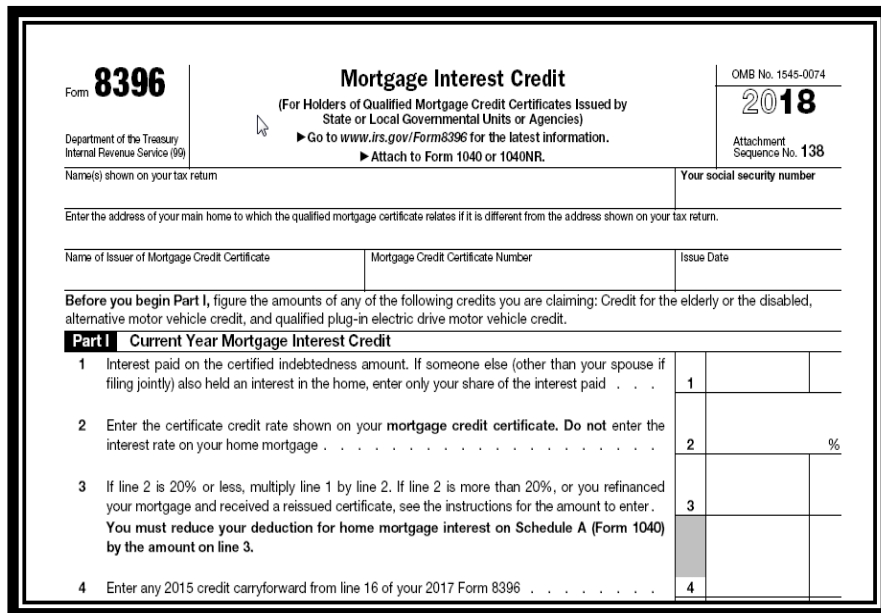
Annual Eligible Tax Credit, First 10 Years	LOAN AMOUNT			
	\$150,000		\$250,000	
MCC Credit Rate	25%	20%	25%	20%
Year 1	2,000	1,640	2,000	2,733
Year 2	2,000	1,617	2,000	2,695
Year 3	1,991	1,615	2,000	2,692
Year 4	1,959	1,613	2,000	2,689
Year 5	1,926	1,611	2,000	2,685
Year 6	1,890	1,609	2,000	2,682
Year 7	1,853	1,607	2,000	2,679
Year 8	1,813	1,605	2,000	2,675
Year 9	1,771	1,603	2,000	2,672
Year 10	1,727	1,601	2,000	2,669
First 10 Years	18,932	16,123	20,000	26,871

Credit may be claimed until loan maturity.

How a homebuyer uses the MCC

- The borrower claims the credit with his annual tax return using **Turbo Tax (electronic submission).**

The borrower claims the credit with his annual tax return using **IRS Form 8396.**



Form **8396** Mortgage Interest Credit (For Holders of Qualified Mortgage Credit Certificates Issued by State or Local Governmental Units or Agencies) OMB No. 1545-0074

Department of the Treasury Internal Revenue Service (99) **2018** Attachment Sequence No. 138

Go to www.irs.gov/Form8396 for the latest information. Attach to Form 1040 or 1040NR.

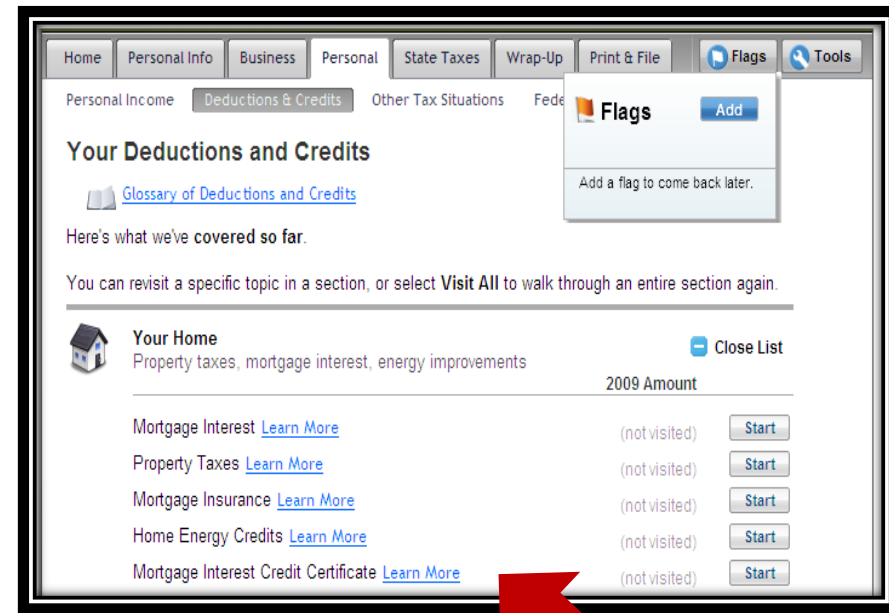
Name(s) shown on your tax return Your social security number

Enter the address of your main home to which the qualified mortgage certificate relates if it is different from the address shown on your tax return.

Name of Issuer of Mortgage Credit Certificate Mortgage Credit Certificate Number Issue Date

Before you begin Part I, figure the amounts of any of the following credits you are claiming: Credit for the elderly or the disabled, alternative motor vehicle credit, and qualified plug-in electric drive motor vehicle credit.

Part I Current Year Mortgage Interest Credit	
1 Interest paid on the certified indebtedness amount. If someone else (other than your spouse if filing jointly) also held an interest in the home, enter only your share of the interest paid	1
2 Enter the certificate credit rate shown on your mortgage credit certificate. Do not enter the interest rate on your home mortgage	2 %
3 If line 2 is 20% or less, multiply line 1 by line 2. If line 2 is more than 20%, or you refinanced your mortgage and received a reissued certificate, see the instructions for the amount to enter. You must reduce your deduction for home mortgage interest on Schedule A (Form 1040) by the amount on line 3.	3
4 Enter any 2015 credit carryforward from line 16 of your 2017 Form 8396	4



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Personal Income Deductions & Credits Other Tax Situations Federal

Flags Add

Add a flag to come back later.

Your Deductions and Credits

[Glossary of Deductions and Credits](#)

Here's what we've covered so far.

You can revisit a specific topic in a section, or select **Visit All** to walk through an entire section again.

Your Home Close List

Property taxes, mortgage interest, energy improvements

2009 Amount

- Mortgage Interest [Learn More](#) (not visited) Start
- Property Taxes [Learn More](#) (not visited) Start
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- Mortgage Interest Credit Certificate [Learn More](#) (not visited) Start

The credit may be claimed for the life of the loan as long as the home is the principal residence.