

**Georgia Housing and Finance Authority  
Notice To Purchaser Of Potential  
Recapture Tax On Sale Of Home**

Form of Notice to be Delivered to Each Purchaser on the Closing Date  
Regarding Potential Recapture Tax on Sale of Home

To: Purchaser

The Georgia Dream First Mortgage and/or Georgia Dream Second Mortgage loan(s) being made to you today (the "Mortgage Loan") have been financed with the proceeds of certain tax-exempt bonds issued by the Georgia Housing and Finance Authority (the "Issuer") pursuant to certain state laws and federal income tax laws. This Notice is being given to you on behalf of the Issuer in compliance with section 143(m)(7)(A) and section 143(m)(7)(B) of the Internal Revenue Code

Because you are receiving mortgage loan(s) from the proceeds of a tax-exempt bond, you are receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. If you sell or otherwise dispose of your home during the next 9 years, this benefit may be "recaptured." The recapture would be accomplished by an increase in your federal income tax for the year in which you sell or otherwise dispose of your home. The recapture only applies, however, if you sell or dispose of your home at a gain and if your income increases above specified levels. The recapture tax will not apply in certain circumstances. In the pages that follow, you will be given additional information that will be needed to calculate the potential recapture tax. The additional information begins on the next page and is entitled "Notice Under Code Section 143(m)(7)(B)."

You will need to complete IRS Form 8828, Recapture of Federal Mortgage Subsidy, when you file your federal income taxes for the year in which the home is sold. IRS Form 8828 calculates any Recapture Tax that may be due. The IRS website has information about calculating recapture tax and using IRS Form 8828 on its website. For further assistance with calculation or any other questions related to a potential recapture tax, please consult with a tax professional.

Please sign below to acknowledge your receipt of all 8 pages of this Notice and that you are aware of the potential recapture tax discussed in this Notice.

\_\_\_\_\_
Date

\_\_\_\_\_
Purchaser's Signature

\_\_\_\_\_
Purchaser's Signature

**This Notice must be executed in duplicate.  
One copy for Purchasers and original for Lender to send to DCA.**

**Notice Under Code Section 143(m)(7)(B)**

Form of Notice to be Delivered to Each Purchaser on the Closing Date

**A. General Information.**

When you sell your home, you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any reference in this notice to the "sale" of your home also includes other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

**B. Exceptions.**

In the following situations, no recapture tax is due and you should not need to do the calculations:

1. You dispose of your home more than 9 years after you close your GHFA mortgage loan(s);
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 incident to 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.

**C. Information You Will Need in Order to Complete Your Tax Forms.**

In order to complete your income tax forms in the year you sell your home, you will need the following information:

**Address of property:**

\_\_\_\_\_

Street Address

\_\_\_\_\_

City, County, State, Zip

**Type of Federal subsidy:**

Mortgage loan (s) from the proceeds of a tax-exempt bond.

**Name of bond issuer:**

Georgia Housing and Finance Authority

**Lending Institution:**

\_\_\_\_\_

Name of Lending Institution

\_\_\_\_\_

Street Address

\_\_\_\_\_

City, State, Zip

**Loan Closing Date:**

\_\_\_\_\_

**Federally Subsidized Amount:**

Original First Mortgage Loan Amount X .0625 = \_\_\_\_\_

Original Second Mortgage Loan Amount X .0625 = \_\_\_\_\_

**D. Targeted County, Targeted Census Tract or other Targeted Area. Please check 1 or 2 below:**

1.  Property **is** located in a targeted county, targeted census tract or other targeted area listed in Appendix III of the Seller Guide.
2.  Property **is not** located in a targeted county, targeted census tract or other targeted area listed in Appendix III of the Seller Guide.

**E. Maximum Recapture Tax.**

The maximum recapture tax that you may be required to pay is stated on page 2 of this notice as “Federally Subsidized Amount.” This amount is 6.25% of the original mortgage loan amount and is your Federally Subsidized Amount with respect to the loan.

**F. Actual Recapture Tax.**

The actual recapture tax, if any, can only be determined when you sell your home. It is the lesser of:

1. 50 percent of your gain on the sale of your home, regardless of whether you have to include the gain in your income for federal income tax purposes, or
2. your Recapture Amount determined by multiplying the following three numbers:
  - a. Your Federally Subsidized Amount (see page 2 of this Notice) *times*
  - b. The Holding Period Percentage, as shown in paragraph G below *times*
  - c. The Income Percentage, as described in paragraph H below.

**G. Holding Period Percentage.**

<u>Date That You Sell Your Home</u>	<u>Holding Period Percentage</u>
Before the first anniversary of closing (“closing” means the closing date for your loan) ( <b>1st year</b> )	20%
On or after the first anniversary of closing, but before the second anniversary of closing ( <b>2nd year</b> )	40%
On or after the second anniversary of closing, but before the third anniversary of closing ( <b>3rd year</b> )	60%
On or after the third anniversary of closing, but before the fourth anniversary of closing ( <b>4th year</b> )	80%
On or after the fourth anniversary of closing, but before the fifth anniversary of closing ( <b>5th year</b> )	100%
On or after the fifth anniversary of closing, but before the sixth anniversary of closing ( <b>6th year</b> )	80%
On or after the sixth anniversary of closing, but before the seventh anniversary of closing ( <b>7th year</b> )	60%
On or after the seventh anniversary of closing, but before the eighth anniversary of closing ( <b>8th year</b> )	40%
On or after the eighth anniversary of closing, but before the ninth anniversary of closing ( <b>9th year</b> )	20%

**H. Income Percentage.**

Income Percentage is calculated as follows:

1. Subtract the applicable Adjusted Qualifying Income in the taxable year in which you sell your home (as listed on Table I) from your Modified Adjusted Gross Income in the taxable year in which you sell your home. To find your Adjusted Qualifying Income, first find the county in which your home is located. If Table I shows “targeted” and “non-targeted” for your county, check page 2 of this Notice to see in which area your home is located. Then read across Table I to find the appropriate year (which should be the same year as used to select your Holding Period Percentage) and select the number from the column for your household size. Household size means the number of family members living in your home at the time of sale.

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.

2. If the amount calculated in (1) above is zero or less, you owe no recapture tax and do not need to make any more calculations. If the amount calculated is \$5,000 or more, your Income Percentage is 100 percent. If the amount calculated is greater than zero, but less than \$5,000, it must be divided by \$5,000. 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 percent.

**I. 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 the 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 9 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.