

# IRS Federal Recapture Tax Reimbursement

How NIFA helps with IRS Form 8828 Recapture of Federal Mortgage Subsidy.

## What is an IRS recapture tax?

A recapture tax is a tool the IRS uses to recoup “lost” tax income in very specific situations. Because NIFA home loans are generally financed through the sale of tax-exempt bonds (a federal subsidy), borrowers are subject to a potential IRS recapture tax if they sell their home within the first nine years of the loan.

## How does NIFA help with the recapture tax?

At NIFA, we understand you may be concerned with potentially having to pay a recapture tax. So, **NIFA provides Federal Recapture Tax reimbursement.**

## What triggers IRS Federal Recapture Tax on a NIFA loan?

All of the following must be true for a NIFA loan to be subject to a federal recapture tax:

- You **sell your home before the end of nine years**, AND
- You **make a profit** on the sale of your home, AND
- Your **adjusted gross income exceeds the IRS limit**, as reported on your federal tax return at closing.

Example 1: Five years after closing, you sell your home for a profit, and your adjusted gross income is below the IRS maximum limit. There is no recapture tax due.

Example 2: Eight years after closing, you sell your home for a loss, and your adjusted gross income is over the IRS maximum limit. There is no recapture tax due.

Example 3: Eleven years after closing, you sell your home for a profit, and your income is over the IRS maximum limit. There is no recapture tax due.

## How is IRS Recapture Tax determined?

The IRS or a professional tax advisor can help you calculate how much, if any, recapture tax is due.

Your NIFA Participating Lender will provide you with a Notice of Potential Recapture Tax when applying for your loan and at closing. A final Notice, sent by NIFA within 90 days of closing, provides information to help you complete the IRS Form 8828, Recapture of Federal Mortgage Subsidy, that is required if you meet the conditions above.

Any recapture taxes due are paid when filing your federal tax return for the year in which the sale of the home occurred.

## How do I qualify for Federal Recapture Tax reimbursement from NIFA?

You must submit a request for reimbursement and supporting documentation no later than July 15 of the calendar year following the year in which you sold your home. NIFA will review your request and, if all qualifications are satisfied, issue your reimbursement within 90-120 days.

For more information, contact our Homeownership Team at 402.434.3900 or [homeownership@nifa.org](mailto:homeownership@nifa.org).

