



# FirstHome Recapture Notice

Borrower: \_\_\_\_\_ Mortgage Lender: \_\_\_\_\_  
Borrower: \_\_\_\_\_ Date: \_\_\_\_\_

Your mortgage loan ("the Mortgage Loan") which is financing the purchase of your home ("the Residence") will be funded with proceeds of tax-exempt bonds ("the Bonds"), issued by the Utah Housing Corporation ("UHC"). The Internal Revenue Code of 1986, as amended ("the Code") requires, under certain circumstances, that if you sell or otherwise dispose of an interest in the Residence within nine years after your Mortgage Loan closing (the "Closing Date"), then your federal income tax liability for the year in which you sell or dispose of the Residence may be increased (such increase to be referred to herein as the "Recapture Amount").

**NOTE: Refinancing your Mortgage Loan will not eliminate your potential Recapture obligation.**

The Federally Subsidized Amount with respect to your Mortgage Loan is \$ \_\_\_\_\_ (which is 6.25% times the original principal amount of your Mortgage Loan [does not include Utah Housing's second mortgage]). This amount is also the maximum amount by which your tax may be increased (the "Maximum Recapture"). The Maximum Recapture may be reduced based on three factors determined when you sell or dispose of the Residence:

- A. "Holding Period Percentage" determined by the date you sell the Residence;
- B. "Income Percentage" determined by your income and family size when you sell the Residence; and
- C. "Gain Limitation" determined by the amount of your gain from the sale of the Residence.

### **A. HOLDING PERIOD PERCENTAGE**

The first reduction to the Maximum Recapture, determined by the date you sell the Residence, will be made as follows: If you sell the Residence during the nine-year period beginning on the Closing Date, multiply the Maximum Recapture by the percentage listed below corresponding with the year during which the sale of the Residence occurs.

<b>Year One*:</b>	<b>20%</b>	<b>Year Four:</b>	<b>80%</b>	<b>Year Seven:</b>	<b>60%</b>
<b>Year Two:</b>	<b>40%</b>	<b>Year Five:</b>	<b>100%</b>	<b>Year Eight:</b>	<b>40%</b>
<b>Year Three:</b>	<b>60%</b>	<b>Year Six:</b>	<b>80%</b>	<b>Year Nine:</b>	<b>20%</b>

\* Year One begins on the Closing Date and ends on the day preceding the anniversary thereof.

If you sell the Residence more than nine years after the Closing Date, the Recapture Amount will be zero, regardless of your income or the amount of gain from the sale of the Residence.

In other words, the potential Recapture Amount increases each year through the fifth year from the Closing Date (the year which ends Five years after the Closing Date is the only year when the Maximum Recapture may be due) and then decreases each year thereafter through the ninth year after the Closing Date. Additional reductions may be made as described in B and C below.

### **B. INCOME PERCENTAGE**

The second reduction to the Maximum Recapture will be determined by your income and family size at the time of the sale of the Residence. No Recapture Amount will be due if your "Modified Adjusted Gross Income" \*\* is less than the applicable Adjusted Qualifying Income. Instructions for determining Adjusted Qualifying Income are on the next page.

\*\*Your "Modified Adjusted Gross Income" is the adjusted gross income shown on your Federal Tax Return(s) for the year in which you sell the Residence plus any interest received or accrued on obligations which is excluded from gross income during that year, minus the amount of your gain (generally, the sale price minus your adjusted tax basis for the Residence) from the sale of the Residence included in gross income on your Federal Tax Return(s) for that year.

At the time of sale of the Residence, if your Modified Adjusted Gross Income exceeds the applicable Adjusted Qualifying Income by less than \$5,000, you will not be required to pay the Maximum Recapture, but you may be required to pay some Recapture Amount. The Income Percentage is a percentage (but not greater than 100%) of the Maximum Recapture (rounded to the nearest whole percent) derived by dividing \$5,000 into the amount by which your Modified

Adjusted Gross Income exceeds the Adjusted Qualifying Income from the calculation determined on the next page.

In other words, if your income at the time of sale is less than the amount calculated using the table and factors on the next page, no Recapture Amount will be due. If your income exceeds the calculated amount by less than \$5,000, you may have to pay some Recapture Amount, but the amount due will be proportionate to the amount by which your income exceeds the calculated amount. If your income exceeds the calculated amount by \$5,000 or more, you may have to pay the Maximum Recapture. In any event, additional reductions to the Maximum Recapture may be made as described in A above and C below.

**FOR DEMONSTRATION ONLY.** MORTGAGE LENDER IS NOT REQUIRED TO COMPLETE THIS CALCULATION.

Annual Factor from factors below

Multiply by Amount from the Income Table below \$ \_\_\_\_\_

Equals the Adjusted Qualifying Income \$ \_\_\_\_\_

To determine the Adjusted Qualifying Income, find the Annual Factor listed below and enter on the Annual Factor line above, and then multiply the Annual Factor by the appropriate amount from the Income Table below.

<b>Annual Factors:</b>	<b>Year One*:</b>	<b>1.0000</b>	<b>Year Four:</b>	<b>1.1576</b>	<b>Year Seven:</b>	<b>1.3401</b>
	<b>Year Two:</b>	<b>1.0500</b>	<b>Year Five:</b>	<b>1.2155</b>	<b>Year Eight:</b>	<b>1.4071</b>
	<b>Year Three:</b>	<b>1.1025</b>	<b>Year Six:</b>	<b>1.2763</b>	<b>Year Nine:</b>	<b>1.4775</b>

\* Year One begins on the Closing Date and ends on the day preceding the anniversary thereof.

In the Income Table below find the dollar amount corresponding with the area where the Residence is located and your family size when you sell or dispose of the Residence. Enter that amount on the appropriate line above and multiply as instructed there to obtain Adjusted Qualifying Income.

**Income Table effective as of June 2, 2023**

County	Nontargeted***		Targeted***		County	Nontargeted***		Targeted***	
	Family Size					Family Size			
	1 & 2	3 +	1 & 2	3 +		1 & 2	3 +	1 & 2	3 +
Beaver	\$101,000	\$116,150	--	--	Piute	--	--	\$121,200	\$141,400
Box Elder	\$105,360	\$122,920	--	--	Rich	\$101,000	\$116,150	--	--
Cache (Logan)	\$101,000	\$116,150	\$121,200	\$141,400	Salt Lake	\$110,760	\$127,374	\$127,200	\$148,400
Carbon	\$101,000	\$116,150	--	--	San Juan	--	--	\$121,200	\$141,400
Daggett	\$106,900	\$122,935	--	--	Sanpete	--	--	\$121,200	\$141,400
Davis	\$127,680	\$148,960	\$127,680	\$148,960	Sevier	\$101,000	\$116,150	--	--
Duchesne	--	--	\$121,200	\$141,400	Summit	\$169,920	\$198,240	--	--
Emery	\$101,000	\$116,150	--	--	Tooele	\$112,320	\$129,168	--	--
Garfield	--	--	\$121,200	\$141,400	Uintah	\$101,000	\$116,150	--	--
Grand	\$101,000	\$116,150	--	--	Utah	--	--	\$121,200	\$141,400
Iron	--	--	\$121,200	\$141,400	Wasatch	\$131,880	\$153,860	\$131,880	\$153,860
Juab	--	--	\$121,200	\$141,400	Washington	\$105,360	\$122,920	--	--
Kane	--	--	\$121,200	\$141,400	Wayne	--	--	\$121,000	\$141,400
Millard	\$101,000	\$116,150	--	--	Weber	\$127,680	\$148,960	\$127,680	\$148,960
Morgan	\$127,680	\$148,960	--	--					

\*\*\* For information about Targeted or Non-targeted areas call your Mortgage Lender or UHC (801-902-8200).

**C. GAIN LIMITATION**

The third reduction to the Maximum Recapture will depend on your gain from the sale of the Residence. Under this adjustment, the Recapture Amount will not exceed 50% of the gain on the sale of the Residence for federal income tax purposes (determined without regard to Sections 1033(b) and 1034(e) of the Code and regardless of whether or not recognized for tax purposes). In other words, the Recapture Amount will never exceed one-half of your gain (profit) from the sale of the Residence. If you have no gain, no Recapture Amount will be due.

**Recapture Formula**

To summarize, the Recapture Amount you may be required to pay, if any, can be determined according to the following formula:

Recapture Amount = the lesser of:

1. 50% of the gain from the sale of the Residence, **OR**
2.  $M \times H \times \frac{(G - A)}{5000} \dagger = \underline{\hspace{2cm}}\%$

Where M = Maximum Recapture  
H = Holding Period Percentage  
G = Modified Adjusted Gross Income  
A = Adjusted Qualifying Income

$\dagger \frac{(G - A)}{5000}$  must be rounded to the nearest percent, but may not exceed 100%

**Assumptions**

If you sell the Residence and the new buyer agrees to assume the Mortgage Loan obligation (which may occur only if the new buyer meets the program requirements concerning principal residence, first-time homebuyer [except in targeted areas] acquisition cost and income limits). You will be subject to payment of the Recapture Amount and the new buyer will be subject to the recapture provisions described herein during a new nine-year recapture period commencing on the date of the sale.

**Prepayment**

If the Mortgage Loan is fully repaid (i.e. refinanced) at a time prior to the sale or disposition of the Residence, you will be subject, nevertheless, to the payment of the Recapture Amount (modified as required in Section 143(m)(4)(C)(ii) of the Code) if such sale or disposition occurs within the first nine years.

**Miscellaneous**

All references to the sale of the Residence include any disposition, whether by sale, exchange or other transfer of an interest in the Residence.

If the disposition is not from a sale, exchange or involuntary conversion (such as the assignment of the Mortgage Loan to an insurance company as a result of a fire), you are to assume that you sold the Residence at its fair market value. If you own the Residence with one or more persons who are also liable on the Mortgage Loan, each person's Recapture Amount will be determined separately in accordance with their interest in the Residence.

If the Residence is destroyed in whole or in part by fire, storm, or other casualty causing a compulsory or involuntary disposition of the Residence, you will not have to pay any Recapture Amount with respect to such disposition if within two years after the end of the taxable year in which you receive insurance proceeds or other amounts as a result of the destruction, you purchase another principal residence on the same site. Generally, no Recapture Amount would be due if you transfer the Residence to a spouse, or a former spouse as a result of a divorce. In such an event, your spouse (or former spouse) will be treated as if he or she was the owner of the Residence from the time that you purchased the Residence. No Recapture Amount will be due with respect to the Residence if the Residence is transferred as a result of your death.

This Recapture Notice is provided by the Utah Housing Corporation pursuant to Section 143(m)(7) of the Code. The Recapture Notice is provided for notification only. Please consult your tax advisor or the Internal Revenue Service regarding the effect on your federal income tax liability upon sale or disposition of the Residence. Please acknowledge that you have received and have read this Recapture Notice by signing in the space(s) provided below.

ACKNOWLEDGED

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Borrower

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Borrower