



Oregon Bond Residential Loan Program

What is?

Recapture Tax

The federal recapture tax is a federal tax that some homeowners who have Oregon Bond Residential Loans may be required to pay from the net profit they receive from the sale of their home. If you have to pay the recapture tax, the amount will be due when you file your federal income tax for the year in which you sell your home. The maximum tax is limited to 6.25 percent of the loans original federally subsidized amount (original Loan balance plus *CashAdvantage* Home Loan assistance), if applicable.

Very few OHCS borrowers will be affected by the recapture tax. You would pay only if the following occur:

- You have owned your home less than 9 years at the time you sell.
- You have a significant increase in your income.
- You receive a net profit from the sale of your home.

A profit must be shown before any tax is due. However, you may have a profit and no tax due if your income doesn't exceed the allowable limit in the year of the sale. If a recapture tax must be paid, all of your profit will not be taken. Under what is known as the gain-on-sale adjustment, the recapture amount can never exceed 50 percent of the profit from the sale of the residence.

Federal maximum income limits apply to the purchase of your home. If a homeowner is required to pay the recapture tax, the homeowner must report it on his or her federal income tax return. Please consult a tax accountant or financial advisor prior to preparing your return.

The exact recapture tax liability, if any, is based on income, family size, and the amount of the net profit obtained in the year of the home sale. OHCS provides new home owners with a "Notice to Borrowers Regarding Recapture Provision" at time of application.

For additional details and a demonstration on how to calculate the possible tax please watch the video on this website labeled "Recapture Fee Training Video".