



# Instructions for Form 8828

## Recapture of Federal Mortgage Subsidy

(Section references are to the Internal Revenue Code unless otherwise noted.)

### General Information

#### Paperwork Reduction Act

**Notice.**—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** . . . . . 26 min.
- Learning about the law or the form** . . . . . 16 min.
- Preparing the form** . . . . . 32 min.
- Copying, assembling, and sending the form to the IRS** . . . . . 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-1288), Washington, DC 20503. **DO NOT** send the tax form to either of these offices. Instead, see **When and Where To File**, below.

### Purpose of Form

Use this form to report and figure the recapture of the Federal subsidy if you sold or otherwise disposed of your home.

If your home was financed with a mortgage loan from the proceeds of a tax-exempt bond, you received the benefit of a lower interest rate than is customarily charged on other mortgage loans. If you received a mortgage credit certificate with your mortgage loan, you received the benefit of a credit against your Federal income taxes. These

benefits constitute the Federal subsidy which is subject to recapture in the form of an increase in your Federal income tax if your home was sold or otherwise disposed of during the first nine years after the mortgage loan was secured.

### Who Must File

You must file this form if all the following conditions are present (for exceptions, see **Special Rules**, below):

- You sold or otherwise disposed of your home in 1991 or other tax year which began in 1991; and
- Your mortgage loan was provided after December 31, 1990; and
- Either your home was financed with a mortgage loan from the proceeds of a tax-exempt bond or you received a mortgage credit certificate with your mortgage loan.

### When and Where To File

Your 1991 Form 8828 should be attached to and filed at the same time (including extensions) as your 1991 Form 1040. If you have to file Form 8828, you cannot use Form 1040A or Form 1040EZ.

**Note on Filing—Form 2119, Sale of Your Home.**—You must file Form 2119 for the year in which you sell your main home, regardless of whether there is a gain on the sale and whether you are electing the one-time exclusion for people 55 or older. See the Form 2119 instructions for additional filing requirements.

### Special Rules

**Giving away your home.**—If you gave away your home (other than to your spouse or ex-spouse incident to divorce), you must figure your recapture tax as if you had actually sold your home for its fair market value at the time of the disposition.

**Divorce.**—If you transferred your interest in your home either to your

spouse or former spouse incident to divorce, and you had no gain or loss included in your income, you do not owe recapture tax. Do not file this form. See **Pub. 504**, Tax Information for Divorced or Separated Individuals, to determine if you had gain or loss included in your income on the transfer incident to divorce.

**Destruction by casualty.**—If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if you replace the home (for use as your main home) on its original site within 2 years after the end of the tax year of the destruction. If you don't replace the home on time, you must file Form 8828 with an amended return (Form 1040X) for the year of the destruction.

**Two or more owners.**—In general, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is figured separately for each, based on the interest of each in the home.

**Repayment of the loan.**—If you repay your loan in full during the 9-year recapture period and you dispose of your home during the period, your holding period percentage (Part II, line 19) may be reduced under the special rule in section 143(m)(4)(C)(ii).

**Other special rules** may apply in particular circumstances. See section 143(m).

### Specific Instructions

**Name(s) and social security number.**—The name(s) and social security number on Form 8828 should be the same as those shown on your Form 1040.

### Part I—Description of Home That Was Subject to Federally Subsidized Debt

**Line 1.**—List the address of the property that was subject to the federally subsidized debt, not your

current address as shown on your Form 1040.

**Line 2—Check the appropriate box for the type of Federal subsidy you had on the loan for your home.**—Check the applicable box on line 2 from the information on your notification (the notification is discussed below).

**Note:** *This question refers to the type of Federal subsidy: either a mortgage loan from the proceeds of a tax-exempt bond, or a mortgage credit certificate received with your mortgage loan. If your home was financed with a federally subsidized loan, you should have received notification in writing from the bond issuer or the bank at the time your mortgage was provided. The notification should state that your home was financed with a mortgage loan from the proceeds of a tax-exempt bond or that you received a mortgage credit certificate with your mortgage loan. The notification should contain information needed to figure your recapture tax and it should advise you to keep it for your records.*

**Line 3—Name of the bond or certificate issuer.**—In the space provided, fill in the requested information from the notification discussed above. If you have a problem identifying the issuer, contact your bank and ask for the information.

**Line 4—Name and address of lending institution.**—In the space provided, fill in the name and address of the bank or other lender that provided your mortgage.

**Line 5—Date of closing of the loan.**—Fill in the month, day, and year that your mortgage loan was provided. This generally is the date of settlement on your home.

**Line 6—Date of sale or other disposition of your interest in the home.**—Fill in the applicable month, day, and year. Date of sale generally is the date you settled on the sale of your home. However, Form 8828 also applies to certain other

dispositions of your home. For instance, the date to enter on line 6 may be the date you deeded the property to a relative (see **Giving away your home**, under **Special Rules** in these instructions).

## Part II—Computation of Recapture Tax

**Note:** *You must report all required information for your interest in the home. This may be less than 100% if someone else also has an interest in the home (see **Two or more owners**, under **Special Rules** in these instructions).*

**Line 8—Sales price of your interest in the home sold or disposed of.**—

**Note:** *This item applies to both sales and other dispositions (see **Giving away your home**, under **Special Rules**, in these instructions, for a discussion of “other dispositions”). If your home was disposed of other than by sale, the sales price is the fair market value of the home at the time of the disposition. You should only report the portion of the sales price representing your interest in the home (see **Two or more owners**, under **Special Rules**, in these instructions).*

**Line 9—Expenses of sale.**—Include sales commissions, advertising, legal fees, etc., for your interest in the home.

**Line 11—Adjusted basis of your interest in the home sold or disposed of.**—In general, the adjusted basis of your interest in the home is your share of the cost of the property plus purchase commissions and improvements, minus depreciation. For more information, get **Pub. 551**, Basis of Assets.

**Line 12—Gain or (loss) from sale or disposition.**—If you filed Form 2119 for the sale of this home, the amount on line 12 of Form 8828 must agree with the amount on line 8a of Form 2119. If the amount on this line is a loss, you are not

required to fill in the rest of Form 8828 but must attach it to your Form 1040.

**Line 14—Modified adjusted gross income.**—This is figured as follows:

- **Begin with:** Your adjusted gross income as shown on your Federal income tax return (1991 Form 1040, line 31).
- **Add:** Any tax-exempt interest that you received or accrued for 1991.
- **Subtract:** Any gain included in your gross income because of the disposition of your home.

**Line 15—Adjusted qualifying income.**—If your home was financed with a federally subsidized loan, you should have received notification in writing from the bond issuer or the bank at the time your mortgage was provided. The notification contains a table which lists adjusted qualifying income figures. Your adjusted qualifying income is found in the column of the table which corresponds to your family size (number of family members living with you at the time of the sale), on the line that corresponds to the number of full and fractional years that you held your home. For 1991, the adjusted qualifying income will generally appear on the first line (less than one full year after closing). Note that on the same line of the table as your adjusted qualifying income, there is a percentage in a column titled “Holding Period Percentage.” This percentage figure should be entered on line 19 of Form 8828.

**Line 18—Federally subsidized amount.**—Refer to the notification you received from the bond issuer or from your bank. The federally subsidized amount should be found on the notification. Enter the figure on line 18.

**Line 19—Holding period percentage.**—The instructions to line 15 explain how to find your holding period percentage in the table in the notification you received from the bond issuer or from your bank.