



# Instructions for Form 8828

## Recapture of Federal Mortgage Subsidy

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

### 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 IRS and the Office of Management and Budget at the addresses listed in the instructions for Form 1040.

### General Instructions

#### Purpose of Form

Use this form to report and figure the recapture of the Federal mortgage 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 are Federal subsidies and are 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 9 years after the mortgage loan was secured.

#### Who Must File

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

- You sold or otherwise disposed of your home in calendar year 1993 or other tax year which began in 1993, 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

Attach your 1993 Form 8828 to **Form 1040**, U.S. Individual Income Tax Return. File it when the Form 1040 is due (including extensions). If you have to file Form 8828, you cannot use **Form 1040A** or **Form 1040EZ**.

**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 or 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.**—You do not owe recapture tax 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. Do not file

this form. See **Pub. 504**, 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**, Amended U.S. Individual Income Tax Return) for the year the home was destroyed.

**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 certain cases. 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 Subject to Federally Subsidized Debt

**Line 1—Address of property.**—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 the notification given to you at the time you took out the loan.

**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 lender 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 include 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.**—Fill in the requested information from the notification discussed above. If you have a problem identifying the issuer, contact your lender and ask for the information.

**Line 4—Name and address of lending institution.**—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 subsidized mortgage loan was provided. This generally is the date of settlement on your home. However, if the loan became federally subsidized debt at a later date, use that date instead.

**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** on page 1).

## 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** on page 1).*

**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** on page 1). 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** on page 1).*

**Line 9—Expenses of sale.**—Include sales commissions, advertising, legal fees, etc., allocable to 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. **Do not** reduce the adjusted basis for any gain that you did not recognize on the sale of a previous home. For details, get **Pub. 551, Basis of Assets**.

**Line 12—Gain or (loss) from sale or disposition.**—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.**—Figure this as follows:

- **Begin with:** Your adjusted gross income as shown on your Federal income tax return (1993 Form 1040, line 31).

- **Add:** Any tax-exempt interest that you received or accrued for 1993 (from line 8b, Form 1040).

- **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 lender 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 that 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 partial years that you held your home. 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." Enter this percentage figure on line 19 of Form 8828.

**Line 18—Federally subsidized amount.**—The federally subsidized amount should be found on the notification you received from the bond issuer or from your lender. It is equal to 6.25% (.0625) of the highest amount of the loan that was federally subsidized. Enter the figure on line 18.

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

