

# FAQ

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**Q: What is the Federal recapture tax?**

**A:**

SONYMA's first time homeowner mortgages are often funded through the issuance of tax free mortgage revenue bonds. By using our programs, borrowers are receiving the benefit of a lower interest rate than the private market offers. This benefit is "recaptured" in certain instances through higher Federal income taxes in the year you sell or otherwise dispose of your home. For more information, see the IRS's website at <http://www.irs.gov/instructions/i8828/ch01.html>

**Q: Will my mortgage insurance cover any Federal recapture tax liability?**

**A:**

It may. Many SONYMA borrowers are required to purchase mortgage insurance.

For example, Genworth Mortgage Insurance Corporation will reimburse you for up to \$6,000 if:

- Your loan closed after May 14, 2007;
- Your original loan amount does not exceed \$300,000;
- You pay premiums to Genworth for mortgage insurance.

**Q: Will SONYMA reimburse me for any Federal recapture tax that I pay?**

**A:**

Yes - if you close on your SONYMA mortgage on or after July 17, 2007. SONYMA will reimburse you for any portion of the recapture tax that is not covered by insurance.

**Q: What are the guidelines to be eligible for reimbursement?**

**A:**

To be eligible for SONYMA reimbursement for any Federal recapture tax you paid, the following must apply:

- Your loan was financed with SONYMA's qualified mortgage revenue bonds and closed on or after July 17, 2007, and
- You submit to SONYMA the "Request for Recapture Tax Reimbursement" form, together with the supporting documentation.

You must submit the request for reimbursement no later than December 31st of the year the Federal Recapture Tax is owed and paid. For example, if your home is sold in 2007, the tax return is filed in 2008. The request for reimbursement must be submitted no later than December 31, 2008.

**Q: How do I apply for reimbursement?**

**A:**

It's simple:

- Fill out the SONYMA's "Request for Recapture Tax Reimbursement" form and provide a signed copy of your Federal tax return, including completed IRS Form 8828, which has been filed showing payment of the Federal recapture tax.
- Proof those taxes have been paid, such as a copy of a cancelled check or bank statement (if any tax was owed the IRS).
- A completed and signed IRS Form 4506-T, Request for Transcript of Tax Return.
- A copy of your HUD-1 Settlement Statement showing the sale of your home.

Forms to apply for reimbursement for applying for reimbursement are linked above.

**Q: Does SONYMA's "Federal Recapture Tax Reimbursement" program mean I do not have to pay the Federal recapture tax?**

**A:**

No. You are still responsible for accurately paying any and all taxes to the IRS. SONYMA will reimburse you for the actual amount of the Federal recapture tax you owe and paid that is not covered by mortgage insurance.

**Q: If I owe Federal Recapture Tax, to whom do I pay it and when?**

**A:**

Any recapture tax is paid to the IRS when you complete your Federal income tax return for the tax year in which you sold your home. For example, if you sold your home in 2007, you would pay the tax when you file your 2007 Federal income tax return.

**Q: Is the recapture tax due if a home is destroyed by fire or other casualty?**

**A:**

No. The Federal recapture tax is not due in these circumstances as long as a replacement home is purchased.

If you have any other questions, please call our 800 number:

1-800-382-HOME (4663)

**Q: Is the recapture tax due if you transfer your home to a spouse or former spouse as a result of a divorce, or if your home is transferred as a result of a death?**

**A:**

No.

**Q: Do I have to notify the IRS that I sold my home even if no tax is due?**

**A:**

Yes. Regardless of whether you owe any tax, you must file IRS Form 8828 with your Federal income tax return when you sell your home.

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Free viewers are required for some of the attached documents.  
They can be downloaded by clicking on the icons below.

