

## INCOME TAX DETAILS

The MCC will reduce the amount of your federal income taxes otherwise due to the federal government; however, the tax benefit cannot exceed the amount of federal taxes owed for the year, after the other credits and deductions have been taken. Instead, the unused tax credits can be carried forward three years, until used.

You should adjust your federal income tax withholding (W-4) in order to receive the MCC benefit on a monthly basis. Talk to your payroll department at your place of employment. By reducing your monthly withholding, you will have more disposable (after-tax) income with which to make mortgage payments.

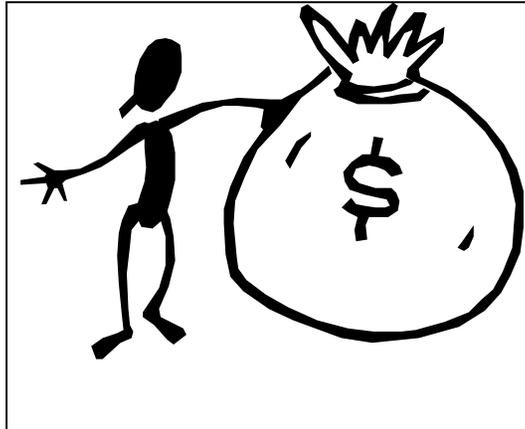
### *WHAT IS THE DIFFERENCE BETWEEN A "TAX CREDIT AND A "TAX DEDUCTION"?"*

The difference between a deduction and a credit is that a credit reduces the tax, while a deduction reduces the amount of income that is taxed. A "tax deduction" is subtracted from your adjusted gross income before you calculate your federal income taxes. A "tax credit" entitles the taxpayer to subtract the amount of the credit from the total federal income tax bill. Credits are more valuable to taxpayers because they constitute a greater percentage of the tax bill.

*We are not tax advisors. If you have any questions about how your taxes will be affected, consult your tax accountant or call the IRS at 1(800) 829-1040, or go to [www.irs.gov](http://www.irs.gov).*

## HOW THE MCC BENEFITS THE HOME-BUYER EFFECTIVE MORTGAGE RATES (EXAMPLE)

	With MCC	W/O MCC
1. Gross Income	\$80,000	\$80,000
2. Mortgage Deduction	\$17,850	\$21,000
3. Adj Gross Income	\$62,150	\$59,000
4. Estimated Tax Bill	\$13,673	\$12,980
5. MCC Tax Credit	\$3,150	\$0
6. Adjusted Tax Bill	\$10,523	\$12,980



OCTOBER 2015

## THE SANTA CLARA COUNTY

# Mortgage Credit Certificate Program

The Mortgage Credit Certificate Program, authorized by Congress in the Tax Reform Act of 1984, provides financial assistance to first-time homebuyers for the purchase of single-family homes, townhomes, and condominiums.

An MCC gives the homebuyer a *federal* income tax credit each year the buyer keeps the same mortgage loan and lives in the same house. The MCC provides a tax credit **up to 15%** of the mortgage rate interest paid each year. That **15%** is subtracted dollar-for-dollar from your federal income taxes. The remaining **85%** of your mortgage interest is taken as a deduction from gross income in the usual manner.

**Your Lender or Broker can answer questions about the MCC program. If you have a particular question, you may write us or call us:**

*County of Santa Clara  
Office of Supportive Housing  
MCC Program/Homeownership Program  
3180 Newberry Drive, #150  
San Jose, CA 95118*

(408)793-0560  
(408) 793-0125 Fax

[www.tracy.cunningham@HHS.sccgov.org](mailto:www.tracy.cunningham@HHS.sccgov.org)

## ELIGIBILITY REQUIREMENTS 2015/2016

*(The MCC program is subject to the availability of Program Funds and State Regulation.)*

- **First-time Homebuyers:** Those persons who have not had an ownership interest in a “Primary Residence” within the last 3 years.
- **Owner-Occupants:** You *must live* in the residence you are buying.
- **INCOME:** Your *total household* income including the income of a non-borrowing spouse, cannot exceed: **2013 Income Limits:**

1 or 2 person household: **\$106,300**  
3 or more person household: **\$122,245**

- **PURCHASE PRICE:** You can receive an MCC in Santa Clara County if you purchase a home, in any **participating city** (see column at right) that costs less than:

**\$596,798** for **New Construction** (never previously occupied) or

**\$596,798** for **Existing units.**

Maximum incomes and home purchase prices are higher in the County’s “target area.” The target Area Census Tracts can be found on the Affordable Housing website located at :[www.sccgov.org/sites/oah](http://www.sccgov.org/sites/oah)

### Target Area Maximums:

New Units:	\$729,639
Existing Units:	\$729,639
Income 1-2 persons:	\$127,560
Income 3+ persons:	\$146,694

**Application Fee:** A Non-refundable application fee of **\$500** payable to Santa Clara County must be submitted with the MCC application.

- **Original Mortgages Only:** No refinancings, subordinated, or assumed mortgages. An MCC can only be issued to a homebuyer who is obtaining a new first mortgage.
- **Potential Recapture Tax:** *You may be subject to a recapture tax if you sell your residence within 9 years of purchase.* (Refer to IRS Publication 523 and IRS Tax Form 8828.)

### HOW DO I GET AN MCC?

The County does **not** make home loans. You, the homebuyer, go through the normal process of choosing a Realtor, finding a house, condo, townhouse, or mobile home, and arranging financing with one of our *Participating Lenders*. The lender determines that you are eligible, fills out the MCC application forms for you, and sends them to the County. The County reviews the forms sent in by the Lender to verify that you and your home

qualify. The County can then issue an MCC commitment number.

After escrow closes, your Lender sends the County your Close of Escrow papers. A Mortgage Credit Certificate will be issued which allows you to take an income tax credit every year, as long as you keep the same home and the original first mortgage, and continue to live in the property as your Primary Residence.

### WHERE CAN I BUY A HOME?

The following cities participate in the Mortgage Credit Certificate Program. You may obtain an MCC if you buy a qualifying residence in any one of the following cities:

Campbell  
Gilroy  
Los Gatos  
Morgan Hill  
Mountain View  
Palo Alto  
San Jose  
Santa Clara  
Sunnyvale  
Target Areas  
County Unincorporated Areas