

OFFICE OF THE GOVERNOR
Governor Terry E. Branstad ★ Lt. Governor Kim Reynolds

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Branstad, Reynolds Announce 2016 First-Time Home Buyer Tax Credit Program

Mortgage Credit Certificates to provide Iowa home buyers with up to \$2,000 in annual federal income tax credits

(DES MOINES) – Gov. Branstad and Lt. Gov. Reynolds at their Monday morning press conference today announced that eligible Iowans can now buy a home and reduce their federal income tax liability by up to \$2,000 a year for the life of their mortgage through the Take Credit mortgage credit certificate program administered by the Iowa Finance Authority. Approximately 780 home buyers are expected to benefit from the program in 2016, which is now available for new purchases through a network of lenders throughout the state.

“The Take Credit program will not only make homeownership more affordable for first-time Iowa home buyers, but it will also provide an economic boost to Iowa communities,” said Governor Branstad. “This program has the potential to keep \$1.5 million in hard-earned income in Iowa, income that would otherwise be spent on federal taxes.”

The program provides eligible home buyers with a tax credit against their federal income tax liability every year for the life of their mortgage. Eligible homeowners may take fifty percent of their annual interest paid on the mortgage loan, up to a maximum of \$2,000 per year, for up to 30 years. The remaining mortgage interest may be taken as a deduction from taxable income if the home buyer itemizes.

“Homeownership plays a critical role in both the quality of life for Iowans and our economy,” said Lt. Governor Kim Reynolds. “This program is a win-win for Iowa home buyers and the state of Iowa. I encourage all Iowans planning to purchase a home in the near future to look into this opportunity as well as the Iowa Finance Authority’s mortgage and down payment assistance programs.”

Eligibility for the Take Credit Program requires home buyers to meet household income and purchase price limitations and meet the definition of a first-time home buyer. The federal income limits vary by county and household size, currently ranging from \$67,500 to \$115,220 per year. A purchase price limit of \$258,000 applies statewide with the exception of federally Targeted Areas where the limit is \$316,000. A first-time home buyer is defined as someone who has not owned their primary residence in the past three years but also includes home buyers purchasing in a federally Targeted Area and qualified veterans who have not used tax exempt mortgage financing previously.

“Interested home buyers can apply for a mortgage credit certificate through a Take Credit Participating Lender as part of their financing process. Home buyers will need to have approval of the mortgage credit certificate before they close on a home so they should ask their lender about this opportunity early in the application process,” said Iowa Finance Authority Executive Director Dave Jamison.

After an eligible, pre-approved homeowner has closed a mortgage loan with an IFA Take Credit Participating Lender, IFA will issue the homeowner a mortgage credit certificate. The homeowner in turn may apply the credit against their federal income tax liability on an annual basis for the life of their mortgage. The credit may be claimed on IRS Form 8396.

The mortgage credit certificate was authorized by Congress in the 1984 Tax Reform Act and capacity for the program is derived from an annual allocation of tax-exempt bond volume cap from the U.S. Treasury Department. The 2016 Take Credit Program has an allocation of private activity bond volume cap sufficient to issue mortgage credit certificates for mortgages totaling approximately \$80 million. The certificates are available on a first-come first-serve basis and the program will be closed for further reservations once available funding has been exhausted. More information is available at IowaFinanceAuthority.gov/TakeCredit.

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