



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Agriculture Commissioner

News Release

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For Immediate Release

HOUSING FINANCE AGENCY WILL REIMBURSE TAX

BISMARCK—The North Dakota Housing Finance Agency (NDHFA) has received approval from the Industrial Commission to offer reimbursement of the federal recapture tax to their FirstHome program users.

"This approval should encourage first-time, eligible homeowners who are concerned about their potential tax liability to use the program," said Gov. John Hoeven.

"The intent of NDHFA's programs is to help first-time buyers achieve successful homeownership," said Attorney General Wayne Stenehjem. "When purchasing a home, these buyers should not have to think twice about using the program."

"Although recapture tax is an aspect of the FirstHome program, it should not be an obstacle," said Agriculture Commissioner Roger Johnson. "By offering this reimbursement, NDHFA customers are able to make their purchase with the confidence that they are not responsible for any federal recapture taxes."

The Federal Recapture Tax applies to households that purchased homes using financing from tax-exempt mortgage revenue bond (MRB) programs like those offered by the Housing Finance Agency. Effective for loans closed on or after October 1, 2006, NDHFA will reimburse homebuyers for the actual amount of any recapture tax paid to the Internal Revenue Service (IRS).

The recapture tax exists because the IRS says that homebuyers who utilize mortgage revenue bonds programs have received an indirect subsidy in the form of a below market interest rate loan. The IRS uses the tax to recoup some of this subsidy from the gain on the sale or transfer of a home if certain conditions are met.

"Few people ever have to pay the recapture tax when they sell their home," said Mike Anderson, NDHFA executive director. "By eliminating this potential barrier, the Agency is able to further its mission by making housing affordable for more North Dakota residents."

Recapture tax is only determined if a home is sold during the first nine years it is owned. No tax is owed if the household income does not exceed the federal income limits in effect at the time the home is sold or if there is no gain on the sale of the home.

For more information about the Housing Finance Agency's homeownership programs contact NDHFA's Homeownership Division at (701) 328-8080, (800) 292-8621, (800) 366-6888 (TTY) or www.ndhfa.org.

The Industrial Commission of North Dakota, consisting of Governor John Hoeven, who serves as chairman, Agriculture Commissioner Roger Johnson and Attorney General Wayne Stenehjem, oversees NDHFA.

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