



What is the South Dakota Housing Tax Credit?

SD Housing's Tax Credit is available through a Mortgage Credit Certificate (MCC), which reduces the amount of federal income tax you pay, giving you more disposable income. That is cash in your pocket!


With SD Housing's Tax Credit, a percentage of your mortgage interest can be used as a dollar-for-dollar reduction in your tax bill and the remaining interest paid is still eligible for the home mortgage interest deduction.


The SD Housing Tax Credit is an option with the First-Time Homebuyer Program. You should discuss this and other interest rate options with a Participating Lender to see which is the best product for you.



**SOUTH DAKOTA
HOUSING**

South Dakota Housing was created by the South Dakota Legislature in 1973 with a stated mission to provide opportunities for quality, affordable housing for South Dakotans. SD Housing is a self-supporting, nonprofit entity known for our commitment for providing innovative financing solutions to create and preserve affordable housing. We utilize housing bonds, tax credits, and other federal and state resources to fund housing programs which provide mortgage and downpayment assistance, housing construction and rehabilitation, homelessness prevention, rental assistance and educational opportunities.

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FOR MORE INFO

SD Housing's Tax Credit (MCC)

**PAY LESS TAXES WHILE
OWNING YOUR HOME**



**SOUTH DAKOTA
HOUSING**



WHAT IS THE COST?

There is a \$750 fee to acquire a SD Housing Tax Credit. This fee is reduced to \$250 if the SD Housing Tax Credit (MCC) is used with SD Housing's First-Time Homebuyer Program. Participating Lenders may also charge a fee up to \$250.

HOW TO APPLY?

Applications are accepted on a first-come, first-served basis by a statewide network of Participating Lenders.

WHO CAN APPLY?

You may qualify for the program if:

- You are purchasing your first home which means you have not owned and lived in a home in the last three years.
- The maximum home sales price does not exceed the current Purchase Price Limit.
- Your income does not exceed the Income Limits in effect for SD Housing's first-time homebuyer program limits which vary by family size and by county.

WHAT IF I SELL MY HOME?

The Federal Recapture Tax is an IRS tax that may increase the amount of the tax the homeowner pays when selling the home. The amount of the Recapture Tax will depend on the year in which the homeowner sells, the homeowner's income that year, and the amount of gain, if any, received from the sale. If the home is sold more than nine years after the closing date, there will not be a Recapture Tax.

SD Housing and its staff are not tax advisors. If there are questions concerning how taxes will be affected, contact an accountant or the IRS.

SD Housing stipulates that if you are required to pay to the IRS a Recapture Tax, SD Housing will reimburse you for the actual amount of the Recapture Tax.

HERE'S HOW IT WORKS

For example, you obtain a mortgage loan for \$150,000 at 4.25% for 30-years with monthly principal and interest payments of \$737.91 and a Tax Credit (MCC) from SD Housing of 50%.

In the first year, you pay a total of \$6,326 in interest on your mortgage loan. Because you are entitled, you could receive a federal income tax credit in the amount of \$2,000 (50% of \$6,326 up to \$2,000). If your income tax liability is \$2,000 or greater, you will receive the full benefit of the SD Housing Tax Credit. If the amount of your SD Housing Tax Credit exceeds the amount of your tax liability, the unused portion can be carried forward (up to three years) to offset future income tax liability.

The remaining 50% of mortgage interest, or \$3,163, qualifies as an itemized income tax deduction.

To receive the immediate benefit of your SD Housing Tax Credit, you could file a revised W-4 withholding form with your employer to reduce the amount of federal income tax withheld from your wages and increase your take home pay by \$167 per month (\$2,000 divided by 12).

The SD Housing Tax Credit (MCC) varies by your original loan amount. The lower the loan amount, the higher Tax Credit percentage. **As of April 28, 2023 the following percentages apply:**

\$150,000 or less	50% of your mortgage interest
\$150,001 to \$250,000	40% of your mortgage interest
\$250,001 or over	30% of your mortgage interest



SEE EXAMPLE:

	No Tax Credit	With Tax Credit
Income*	\$42,630	\$42,630
Mortgage Interest	-6,326	-3,163 (50% of 6,326)
Taxable Income	\$36,304	\$39,467
Taxes Owed**	\$5,010	\$5,635
Tax Credit (50%)***		-2,000 (50% of 6,326 or \$2,000)
Actual Taxes Owed		\$3,635
Tax Savings		\$1,375

* Income after exemptions and other itemized deductions excluding mortgage interest.

** Example taxes owed for a single individual

*** Maximum of \$2,000 annually if the Tax Credit (MCC) rate is greater than 20%

OTHER REQUIREMENTS:

- You must occupy the property.
- The SD Housing Tax Credit can be used in conjunction with a fixed interest rate loan insured by FHA, guaranteed by the VA or USDA Rural Development or conventional loans insured by approved private mortgage insurance companies or conventional uninsured loans.
- Additional restrictions may apply. To find out if you qualify for the SD Housing Tax Credit, please contact a SD Housing Participating Lender. A list of lenders and purchase price and income limits are available on SD Housing's website at sdhousing.org
- The SD Housing Tax Credit cannot be larger than the annual federal income tax liability, after all other credits and deductions have been taken into account.