

Montana Board of Housing (the Board or MBOH)  
MORTGAGE CREDIT CERTIFICATE (MCC) FACT SHEET

A Mortgage Credit Certificate (MCC) helps eligible homebuyers in three ways: First, lenders can use the tax credit to help qualify buyers for a loan; second, MCC holders can have more cash in their paycheck; and third, MCC holders can claim this tax credit each year they pay on their mortgage.

**How it works:**

An MCC holder can claim up to 20% of annual mortgage interest paid as a federal income tax credit. The remaining mortgage interest (80%) continues to qualify as an itemized deduction. For example, a borrower with a \$150,000 loan at 4% will pay \$6,000 mortgage interest the first year. Twenty percent of this, or \$1,200, can be a dollar-for-dollar reduction of federal income taxes! This tax credit continues at 20% of mortgage interest paid each year, if the home is owner-occupied.

The MCC may even be re-issued, in the event the home is refinanced. Eligibility requirements are identical to the MBOH loan program, and include:

**Income Limits:** Ranges from \$97,454 to \$166,600 based on household size and location.

**Purchase Price Limits:** Spending limits range from \$544,232 to \$912,000

**First-time Homebuyer Requirement:** Someone who has not owned their home for the past three years. *(Exceptions include some veterans; ownership of manufactured homes on a rented lot; and certain targeted areas.)*

**Owner Occupancy:** The MCC is valid for the life of the loan, if owner-occupied.

**Business Use Limits:** Trade or business use of a residence cannot exceed 15% of area square footage.

**New Loan Requirement:** Purchase loans only; no refinanced loans.

**Recapture Tax:** A federal recapture tax may apply only if **ALL** three of the following occur.

1. The home is sold in the first nine years;      **and**
2. There is a substantial gain on the sale;      **and**
3. The family has a significant increase in Adjusted Qualifying Income by the year of sale.

**Important things to note:**

1. MCC is a non-refundable federal income tax credit, limited to \$2,000 per year. Tax professionals should be consulted for specific guidance.
2. MCC cannot be combined with an MBOH loan. It is attached to a lender loan held in their portfolio or sold to other investors.
3. Participating lenders process MCC applications on behalf of eligible borrowers.
4. The MCC requires a one-time fee of \$750.00 paid at closing.

For more information:

Go to <https://commerce.mt.gov/Housing/Lenders-Realtors/Mortgage-Credit-Certificate-Program> or call 406-841-2840