

Mortgage Interest Credit

(For Holders of Qualified Mortgage Credit Certificates Issued by State or Local Governmental Units or Agencies.)

▶ Attach to Form 1040.

Your social security number

Enter the address of your main home to which the qualified mortgage certificate relates if it is different from the address shown on Form 1040.

Part I Current Year Mortgage Interest Credit

1	Interest paid on the certified indebtedness amount. If someone else (other than your spouse if filing jointly) also held an interest in the home, enter only your share of the interest paid	1		
2	Enter the certificate credit rate shown on your mortgage credit certificate	2		%
3	If line 2 is 20% or less, multiply line 1 by line 2. If line 2 is more than 20%, or if you refinanced your mortgage and received a reissued certificate, see the instructions for the amount to enter Note: You must reduce your mortgage interest deduction on Schedule A (Form 1040) by the amount on line 3.	3		
4	Enter any credit carryforward from 1997 (line 18 of your 1999 Form 8396)	4		
5	Enter any credit carryforward from 1998 (line 16 of your 1999 Form 8396)	5		
6	Enter any credit carryforward from 1999 (line 19 of your 1999 Form 8396)	6		
7	Add lines 3 through 6	7		
8	Enter the amount from Form 1040, line 42	8		
9	Add the amounts from Form 1040, lines 43 through 47, and enter the total	9		
10	Subtract line 9 from line 8. If line 9 is equal to or more than line 8, enter -0- here and on line 11 and go to Part II	10		
11	Current Year Mortgage Interest Credit. Enter the smaller of line 7 or line 10. Also include this amount in the total on Form 1040, line 49. Be sure to check box b on that line	11		

Part II Mortgage Interest Credit Carryforward to 2001. (Complete **only** if line 11 is less than line 7.)

12	Add lines 3 and 4	12		
13	Enter the amount from line 7	13		
14	Enter the larger of line 11 or line 12	14		
15	Subtract line 14 from line 13	15		
16	1999 credit carryforward to 2001. Enter the smaller of line 6 or line 15	16		
17	Subtract line 16 from line 15	17		
18	1998 credit carryforward to 2001. Enter the smaller of line 5 or line 17	18		
19	2000 credit carryforward to 2001. Subtract line 11 from line 3. If line 11 is equal to or more than line 3, enter -0-	19		

General Instructions

Purpose of Form

Use Form 8396 to figure the mortgage interest credit for 2000 and any carryforward to 2001.

Who May Claim the Credit

You may claim the credit **only** if you were issued a qualified Mortgage Credit Certificate (MCC) by a state or local governmental unit or agency under a qualified mortgage credit certificate program.



Certificates issued by the Federal Housing Administration, Department of Veterans Affairs, and Farmers Home Administration, and Homestead Staff Exemption Certificates do not qualify for the credit.

The home to which the certificate relates must be your **main home** and also must be **located in the jurisdiction** of the governmental unit that issued the certificate.

If the interest on the mortgage was paid to a **related person**, you **cannot** claim the credit.

Refinanced Mortgage Credit Certificates

You can refinance your mortgage without losing this credit if your existing MCC is reissued and the reissued certificate meets **all five** of the following conditions.

1. It must be issued to the holder(s) of the existing certificate for the same property.
2. It must entirely replace the existing certificate (that is, the holder cannot retain any portion of the outstanding balance of the existing certificate).
3. The certified indebtedness on the reissued certificate cannot exceed the outstanding balance shown on the existing certificate.
4. The credit rate (line 2) of the reissued certificate cannot exceed the credit rate of the existing certificate.
5. The reissued certificate cannot result in a line 3 amount larger than would otherwise have been allowable under the existing certificate for any tax year.

For each tax year, you must determine the amount of credit that you would have been allowed using your old MCC. To do this, multiply the interest that was scheduled to be paid on your original mortgage by the certificate rate on your original MCC. The result may limit your line 3 credit allowed when you have a reissued MCC, even if your new loan has a lower interest rate.

If the certificate credit rates are different in the year you refinanced, attach a statement showing separate calculations for lines 1, 2, and 3 for the applicable parts of the year when the original MCC and the reissued MCC were in effect. Combine the amounts from both calculations for line 3. Enter that total on line 3 of the form and write "see attached" on the dotted line.

For more details, see **Form 8828**, Recapture of Federal Mortgage Subsidy, and read the special rules for refinancing your home, or see Regulations section 1.25-3(p).

Recapture of Credit

If you bought a home after 1990 using an MCC and sell that home within 9 years, you may have to recapture (repay) some of the credit. See **Pub. 523**, Selling Your Home, and Form 8828.

Specific Instructions

Note: If you refinanced during the year, see **Refinanced Mortgage Credit Certificates** above.

Line 1. Enter the interest you paid during the year on the loan amount (certified indebtedness amount) shown on your MCC. In most cases, this will be the amount shown in box 1 on **Form 1098**, Mortgage Interest Statement, or on a similar statement that you received from your

mortgage holder. The loan amount shown on your MCC may be less than your total mortgage loan. If so, you must allocate the interest to determine the part of the interest that relates to the amount of the loan covered by the MCC. See **Pub. 530**, Tax Information for First-Time Homeowners, for an example of how to make the allocation.

Line 3. If the certificate credit rate shown on line 2 is more than 20%, do not enter more than \$2,000 on line 3. If you refinanced, see **Refinanced Mortgage Credit Certificates** on this page.

If you and someone else (other than your spouse if you file jointly) held an interest in the home, the \$2,000 limit must be allocated to each owner in proportion to the interest held. See Pub. 530 for an example of how to make the allocation.

Reduction of Home Mortgage Interest on Schedule A (Form 1040). If you itemize your deductions on Schedule A, you must subtract the amount shown on line 3 of Form 8396 from the total deductible interest you paid on your home mortgage and report that amount on Schedule A. You must do this even if part of the amount on line 3 is carried forward to 2001.

Lines 12 Through 19. If the amount on line 11 is less than the amount on line 7, you may have an unused credit to carry forward to the next 3 tax years or until used, whichever comes first. Because the unused credit can only be carried forward for 3 years, you will have to keep track of each year's unused credit. The current year credit is used first and then the prior year credits, beginning with the earliest prior year.

If you have any unused credit to carry forward to 2001, be sure you keep a copy of this form to figure your credit for 2001.

Note: If you are subject to the \$2,000 credit limit because your certificate credit rate is more than 20%, no amount over the \$2,000 limit for any tax year (or your prorated share of the \$2,000 if you must allocate the credit) may be carried forward for use in a later year.

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The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 46 min.; **Learning about the law or the form**, 5 min.; **Preparing the form**, 28 min.; and **Copying, assembling, and sending the form to the IRS**, 14 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the Instructions for Form 1040.

