

SUPPLEMENTAL INSTRUCTIONS FOR COMPLETING IRS FORM W-4

The MCC tax credit at 35% or 40% is very similar to the credit which may be taken for child or dependent care expenses which ranges from 20% to 30% depending upon income. Although a separate line on the W-4 form is not provided for the MCC credit, you may use line F for this purpose.

If you anticipate paying at least \$1,500.00 of MCC mortgage interest during the year, you may enter "1" on line F. If you anticipate paying more than \$3,000.00 of mortgage interest during the year, you may enter "2" on line F. If you additionally have child or dependent care expenses that would entitle you to a tax credit, the number should be adjusted accordingly.

The following example shows how you might calculate the amount of mortgage interest you will pay during the year:

Mortgage balance at beginning of year:	\$110,000.00
Interest rate on mortgage loan:	<u>4.00%</u>
Estimated annual interest paid:	\$ 4,364.75*

*The actual amount of interest paid will be somewhat smaller because with each monthly payment your mortgage balance normally decreases during the year.

If you have more than one wage earner in your family (e.g. both spouses are employed), be careful not to claim too many allowances by putting the maximum number on both workers' W-4 form. Dual income families normally need to reduce the number of allowances taken to avoid having to pay penalties when their annual tax return is filed.

If you wish to calculate the additional amount of mortgage interest you might be able to take as an itemized deduction, follow the instructions on the back of the W-4 form. On line 1, be sure to subtract an amount equal to the specified credit rate of your mortgage interest from the total amount of mortgage interest which you have calculated for deduction purposes. (Federal law requires subtracting an amount equal to the MCC tax credit claimed from the amount of the home mortgage interest to be deducted.)

This IRS Form W-4 is to be filed with the payroll clerk where you work. You do not send the W-4 form to the Internal Revenue Service. If you have any questions concerning completion of the form, your payroll clerk should be able to assist you.

Failure to revise your IRS Form W-4 to reflect the MCC tax credit will have no effect on your ability to claim the deduction with your annual tax return. When you file your annual IRS Form 1040, you will need to claim the MCC tax credit in the space provided. You will also need to complete IRS Form 8329 and file it with your tax return.

These instructions are for your information only. The Corpus Christi Housing Finance Corporation and its officers and agents do not intend to render any income tax advice in connection with this MCC program. All MCC holders or applicants should consult with the Internal Revenue Service or their personal income tax advisers concerning the appropriate level of withholding allowance given their personal tax situations.