



Federal IRS Income Tax Form for Tax Year 2010 (1/1/2010-12/31/2010)

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Mortgage Interest Credit

Department of the Treasury
Internal Revenue Service (99)

(For Holders of Qualified Mortgage Credit Certificates Issued by
State or Local Governmental Units or Agencies)
▶ Attach to Form 1040 or 1040NR. ▶ See instructions on back.

2010
Attachment
Sequence No. **138**

Name(s) shown on your tax return

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 your tax return.

Name of Issuer of Mortgage Credit Certificate	Mortgage Credit Certificate Number	Issue Date
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Before you begin Part I, figure the amounts of any of the following credits you are claiming: Credit for the elderly or the disabled, alternative motor vehicle credit, qualified plug-in electric vehicle credit, and qualified plug-in electric drive motor vehicle credit.

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 . Do not enter the interest rate on your home mortgage	2		%
3 If line 2 is 20% or less, multiply line 1 by line 2. If line 2 is more than 20%, or you refinanced your mortgage and received a reissued certificate, see the instructions for the amount to enter. You must reduce your deduction for home mortgage interest on Schedule A (Form 1040) by the amount on line 3.	3		
4 Enter any 2007 credit carryforward from line 18 of your 2009 Form 8396	4		
5 Enter any 2008 credit carryforward from line 16 of your 2009 Form 8396	5		
6 Enter any 2009 credit carryforward from line 19 of your 2009 Form 8396	6		
7 Add lines 3 through 6	7		
8 Limitation based on tax liability. Enter the amount from the Credit Limit Worksheet (see instructions)	8		
9 Current year mortgage interest credit. Enter the smaller of line 7 or line 8. Also include this amount in the total on Form 1040, line 53, or Form 1040NR, line 50. Check box c on that line and enter "8396" in the space next to that box	9		

Part II Mortgage Interest Credit Carryforward to 2011. (Complete **only** if line 9 is less than line 7.)

10 Add lines 3 and 4	10		
11 Enter the amount from line 7.	11		
12 Enter the larger of line 9 or line 10.	12		
13 Subtract line 12 from line 11	13		
14 2009 credit carryforward to 2011. Enter the smaller of line 6 or line 13	14		
15 Subtract line 14 from line 13	15		
16 2008 credit carryforward to 2011. Enter the smaller of line 5 or line 15	16		
17 2010 credit carryforward to 2011. Subtract line 9 from line 3. If zero or less, enter -0-	17		

General Instructions

Purpose of Form

Use Form 8396 to figure the mortgage interest credit for 2010 and any credit carryforward to 2011.

Who Can Claim the Credit

You can 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

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

- It must be issued to the holder(s) of the existing certificate for the same property.
- It must entirely replace the existing certificate. The holder cannot retain any portion of the outstanding balance of the existing certificate.
- The certified indebtedness on the reissued certificate cannot exceed the outstanding balance shown on the existing certificate.
- The credit rate of the reissued certificate cannot exceed the credit rate of the existing certificate.
- The reissued certificate cannot result in a larger amount on line 3 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 original 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 enter "see attached" on the dotted line next to line 2.

For more details, see Regulations section 1.25-3(p).

Recapture of Credit

If you buy a home using an MCC and sell it within 9 years, you may have to recapture (repay) some of the credit. See Pub. 523, Selling Your Home, and Form 8828, Recapture of Federal Mortgage Subsidy.

Additional Information

See Pub. 530, Tax Information for Homeowners, for more details.

Specific Instructions

Part I—Current Year Mortgage Interest Credit

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 in box 1 on Form 1098, Mortgage Interest Statement, or on a similar statement you received from your mortgage holder. If the loan amount on your MCC is less than your total mortgage loan, you must allocate the interest to determine the part that relates to the loan covered by the MCC. See Pub. 530 for an example of how to allocate the interest.

Line 2

The certificate credit rate cannot be less than 10% or more than 50%.

Line 3

If you refinanced, see *Refinanced Mortgage* on this page.

If the certificate credit rate shown on line 2 is more than 20%, multiply line 1 by line 2, but do not enter more than \$2,000 on line 3. If you and someone else (other than your spouse if filing jointly) held an interest in the home, the \$2,000 limit must be allocated to each owner in proportion to the interest held. See *Dividing the Credit* in Pub. 530 for an example of how to make the allocation.

Reduction of home mortgage interest deduction on Schedule A (Form 1040).

If you itemize your deductions on Schedule A, you must reduce the amount of home mortgage interest you would otherwise deduct on Schedule A by the amount on Form 8396, line 3, and report the reduced amount on Schedule A. You must do this even if part of the amount on line 3 is carried forward to 2011.

Part II—Mortgage Interest Credit Carryforward to 2011

If the amount on line 9 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. 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 2011, keep a copy of this form to figure your credit for 2011.



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 (or your prorated share of the \$2,000 if you must allocate the credit) may be carried forward for use in a later year.

Line 8—Credit Limit Worksheet

Keep for Your Records

1. Enter the amount from Form 1040, line 46, or Form 1040NR, line 44 **1.** _____
2. **Form 1040 filers:** Enter the amounts from Form 1040, line 47 through 50; line 12 of the line 11 Worksheet in Pub. 972*; Form 5695, line 11; Form 8834, line 22; Form 8910, line 21; Form 8936, line 14; and Schedule R (Form 1040 or 1040A), line 22.
Form 1040NR filers: Enter the amounts from Form 1040NR, lines 45 through 47; line 12 of the line 11 Worksheet in Pub. 972*; Form 5695, line 11; Form 8834, line 22; Form 8910, line 21; and Form 8936, line 14. **2.** _____
3. Subtract line 2 from line 1. Also enter this amount on Form 8396, line 8. If zero or less, enter -0- here and on Form 8396, lines 8 and 9, and go to Part II of Form 8396. **3.** _____

*If you are not claiming the child tax credit, you do not need Pub. 972.