

Important! Sample is not to be relied upon when preparing taxes, but is provided to illustrate the tax benefits of an MCC. In the sample below, black writing represents figures without an MCC, and orange writing represents figures with an MCC. This sample assumes a 30-year, fully amortizing \$140,000 mortgage at a 6 percent fixed interest rate, \$1,100 in real estate taxes, and 12 full months of interest paid in the first year of the loan.

Form **1040**

Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 2009

(99) IRS Use Only—Do not write or staple in this space.

Label

(See instructions on page 14.)

Use the IRS label.

Otherwise, please print or type.

L A B E L H E R E	For the year Jan. 1–Dec. 31, 2009, or other tax year beginning _____, 2009, ending _____, 20		OMB No. 1545-0074
	Your first name and initial	Last name	Your social security number
	If a joint return, spouse's first name and initial	Last name	Spouse's social security number
	Home address (number and street). If you have a P.O. box, see page 14.		Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 14.			

Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund (see page 14) You Spouse

Filing Status

1 Single

2 Married filing jointly (even if only one had income)

3 Married filing separately. Enter spouse's SSN above and full name here.

4 Head of household (with qualifying person). (See page 15.) If the qualifying person is a child but not your dependent, enter this child's name here.

5 Qualifying widow(er) with dependent child (see page 16)

Exemptions

6a **Yourself.** If someone can claim you as a dependent, **do not** check box 6a

b **Spouse**

c **Dependents:**

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if qualifying child for child tax credit (see page 17)
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

d Total number of exemptions claimed **1**

Boxes checked on 6a and 6b **1**

No. of children on 6c who:

- lived with you
- did not live with you due to divorce or separation (see page 18)

Dependents on 6c not entered above

Add numbers on lines above **1**

Income

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	50,000/ 50,000
8a	Taxable interest. Attach Schedule B if required	8a	
b	Tax-exempt interest. Do not include on line 8a	8b	
9a	Ordinary dividends. Attach Schedule B if required	9a	
b	Qualified dividends (see page 22)	9b	
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 23)	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	IRA distributions	15a	
b	Taxable amount (see page 24)	15b	
16a	Pensions and annuities	16a	
b	Taxable amount (see page 25)	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation in excess of \$2,400 per recipient (see page 27)	19	
20a	Social security benefits	20a	
b	Taxable amount (see page 27)	20b	
21	Other income. List type and amount (see page 29)	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	50,000/ 50,000

Adjusted Gross Income

23	Educator expenses (see page 29)	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses. Attach Form 3903	26	
27	One-half of self-employment tax. Attach Schedule SE	27	
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction (see page 30)	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	IRA deduction (see page 31)	32	
33	Student loan interest deduction (see page 34)	33	
34	Tuition and fees deduction. Attach Form 8917	34	
35	Domestic production activities deduction. Attach Form 8903	35	
36	Add lines 23 through 31a and 32 through 35	36	
37	Subtract line 36 from line 22. This is your adjusted gross income ▶	37	50,000/ 50,000

Tax and Credits

38 Amount from line 37 (adjusted gross income) **38** **50,000/ 50,000**

39a Check **You** were born before January 2, 1945, **Blind.** } **Total boxes**
 if: **Spouse** was born before January 2, 1945, **Blind.** } **checked ▶ 39a**

b If your spouse itemizes on a separate return or you were a dual-status alien, see page 35 and check here ▶ **39b**

40a **Itemized deductions** (from Schedule A) or your **standard deduction** (see left margin) **40a** **9,453/ 7,7,82**

b If you are increasing your standard deduction by certain real estate taxes, new motor vehicle taxes, or a net disaster loss, attach Schedule L and check here (see page 35) . ▶ **40b**

41 Subtract line 40a from line 38 **41** **40,547/ 42,218**

42 **Exemptions.** If line 38 is \$125,100 or less and you did not provide housing to a Midwestern displaced individual, multiply \$3,650 by the number on line 6d. Otherwise, see page 37 **42** **3,500/ 3,500**

43 **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- **43** **37,047/ 38,718**

44 **Tax** (see page 37). Check if any tax is from: **a** Form(s) 8814 **b** Form 4972 **44** **5,444/ 5,869**

45 **Alternative minimum tax** (see page 40). Attach Form 6251 **45**

46 Add lines 44 and 45 ▶ **46** **5,444/ 5,869**

47 Foreign tax credit. Attach Form 1116 if required	47		
48 Credit for child and dependent care expenses. Attach Form 2441	48		
49 Education credits from Form 8863, line 29	49		
50 Retirement savings contributions credit. Attach Form 8880	50		
51 Child tax credit (see page 42)	51		
52 Credits from Form: a <input checked="" type="checkbox"/> 8396 b <input type="checkbox"/> 8839 c <input type="checkbox"/> 5695	52	0/ 1,671	
53 Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	53		

54 Add lines 47 through 53. These are your **total credits** **54** **0/ 1,671**

55 Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- ▶ **55** **5,444/ 4,198**

Other Taxes

56 Self-employment tax. Attach Schedule SE **56**

57 Unreported social security and Medicare tax from Form: **a** 4137 **b** 8919 **57**

58 Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required **58**

59 Additional taxes: **a** AEIC payments **b** Household employment taxes. Attach Schedule H **59**

60 Add lines 55 through 59. This is your **total tax** ▶ **60**

Payments

61 Federal income tax withheld from Forms W-2 and 1099 **61** **5,730**

62 2009 estimated tax payments and amount applied from 2008 return **62**

63 Making work pay and government retiree credits. Attach Schedule M **63**

64a **Earned income credit (EIC)** **64a**

b Nontaxable combat pay election **64b**

65 Additional child tax credit. Attach Form 8812 **65**

66 Refundable education credit from Form 8863, line 16 **66**

67 First-time homebuyer credit. Attach Form 5405 **67**

68 Amount paid with request for extension to file (see page 72) **68**

69 Excess social security and tier 1 RRTA tax withheld (see page 72) **69**

70 Credits from Form: **a** 2439 **b** 4136 **c** 8801 **d** 8885 **70**

71 Add lines 61, 62, 63, 64a, and 65 through 70. These are your **total payments** ▶ **71** **5,730/ 5,730**

withheld \$5,730 from pay

note: example does not include First Time Homebuyer Credit or any other tax credit for which the taxpayer may be eligible

Refund

72 If line 71 is more than line 60, subtract line 60 from line 71. This is the amount you **overpaid** **72** **286/ 1,532**

73a Amount of line 72 you want **refunded to you**. If Form 8888 is attached, check here ▶ **73a** **286/ 1,532**

▶ **b** Routing number ▶ **c** Type: Checking Savings

▶ **d** Account number

74 Amount of line 72 you want **applied to your 2010 estimated tax** ▶ **74**

Amount You Owe

75 **Amount you owe.** Subtract line 71 from line 60. For details on how to pay, see page 74 ▶ **75**

76 Estimated tax penalty (see page 74) **76**

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 75)? **Yes.** Complete the following. **No**

Designee's name ▶	Phone no. ▶	Personal identification number (PIN) ▶
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Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 15. Keep a copy for your records. ▶	Your signature	Date	Your occupation	Daytime phone number
	Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
Firm's name (or yours if self-employed), address, and ZIP code ▶	EIN	Phone no.	

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**SCHEDULE A
(Form 1040)**

Itemized Deductions

OMB No. 1545-0074

2009

Department of the Treasury
Internal Revenue Service (99)

▶ **Attach to Form 1040.**

▶ **See Instructions for Schedule A (Form 1040).**

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Your social security number

Medical and Dental Expenses	Caution. Do not include expenses reimbursed or paid by others.				
	1 Medical and dental expenses (see page A-1)	1			
	2 Enter amount from Form 1040, line 38 2	2			
	3 Multiply line 2 by 7.5% (.075)	3			
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-				4	
Taxes You Paid <small>(See page A-2.)</small>	5 State and local (check only one box): a <input type="checkbox"/> Income taxes, or b <input type="checkbox"/> General sales taxes	5			
	6 Real estate taxes (see page A-5)	6	1,100		
	7 New motor vehicle taxes from line 11 of the worksheet on back. Skip this line if you checked box 5b	7			
	8 Other taxes. List type and amount ▶ _____	8			
	9 Add lines 5 through 8	9			1,100/1,100
Interest You Paid <small>(See page A-6.)</small>	10 Home mortgage interest and points reported to you on Form 1098	10	8,353/6,682		
	11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-7 and show that person's name, identifying no., and address ▶ _____	11			
	Note. Personal interest is not deductible.				
	12 Points not reported to you on Form 1098. See page A-7 for special rules	12			
	13 Qualified mortgage insurance premiums (see page A-7)	13			
	14 Investment interest. Attach Form 4952 if required. (See page A-8.)	14			
15 Add lines 10 through 14	15			8,353/6,682	
Gifts to Charity <small>If you made a gift and got a benefit for it, see page A-8.</small>	16 Gifts by cash or check. If you made any gift of \$250 or more, see page A-8	16			
	17 Other than by cash or check. If any gift of \$250 or more, see page A-8. You must attach Form 8283 if over \$500	17			
	18 Carryover from prior year	18			
	19 Add lines 16 through 18	19			
Casualty and Theft Losses	20 Casualty or theft loss(es). Attach Form 4684. (See page A-10.)	20			
Job Expenses and Certain Miscellaneous Deductions <small>(See page A-10.)</small>	21 Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See page A-10.) ▶ _____	21			
	22 Tax preparation fees	22			
	23 Other expenses—investment, safe deposit box, etc. List type and amount ▶ _____	23			
	24 Add lines 21 through 23	24			
	25 Enter amount from Form 1040, line 38 25	25			
	26 Multiply line 25 by 2% (.02)	26			
	27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-	27			
Other Miscellaneous Deductions	28 Other—from list on page A-11. List type and amount ▶ _____	28			
Total Itemized Deductions	29 Is Form 1040, line 38, over \$166,800 (over \$83,400 if married filing separately)? <input checked="" type="checkbox"/> No. Your deduction is not limited. Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40a. <input type="checkbox"/> Yes. Your deduction may be limited. See page A-11 for the amount to enter.	29			9,453/7,782
	30 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>				

**Worksheet
for Line 7—
New motor
vehicle
taxes**

Before you begin: ✓ You cannot take this deduction if the amount on Form 1040, line 38, is equal to or greater than \$135,000 (\$260,000 if married filing jointly).
 ✓ See the instructions for line 7 on page A-6.

Use this worksheet to figure the amount to enter on line 7.

(Keep a copy for your records.)

1	Enter the state and local sales and excise taxes you paid in 2009 for the purchase of any new motor vehicle(s) after February 16, 2009 (see page A-6)				
2	Enter the purchase price (before taxes) of the new motor vehicle(s)				
3	Is the amount on line 2 more than \$49,500? <input type="checkbox"/> No. Enter the amount from line 1. <input type="checkbox"/> Yes. Figure the portion of the tax from line 1 that is attributable to the first \$49,500 of the purchase price of each new motor vehicle and enter it here (see page A-6). }				3
4	Enter the amount from Form 1040, line 38				
5	Enter the total of any— • Amounts from Form 2555, lines 45 and 50; Form 2555-EZ, line 18; and Form 4563, line 15, and • Exclusion of income from Puerto Rico }				
6	Add lines 4 and 5				
7	Enter \$125,000 (\$250,000 if married filing jointly)				
8	Is the amount on line 6 more than the amount on line 7? <input type="checkbox"/> No. Enter the amount from line 3 above on Schedule A, line 7. Do not complete the rest of this worksheet. <input type="checkbox"/> Yes. Subtract line 7 from line 6				
9	Divide the amount on line 8 by \$10,000. Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000				9
10	Multiply line 3 by line 9				10
11	Deduction for new motor vehicle taxes. Subtract line 10 from line 3. Enter the result here and on Schedule A, line 7				11

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)

2009

▶ **Attach to Form 1040 or 1040NR.** ▶ **See instructions on back.**

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	8,353	
2	Enter the certificate credit rate shown on your mortgage credit certificate . Do not enter the interest rate on your home mortgage	2	20.00	%
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	1,671	
4	Enter any 2006 credit carryforward from line 18 of your 2008 Form 8396	4		
5	Enter any 2007 credit carryforward from line 16 of your 2008 Form 8396	5		
6	Enter any 2008 credit carryforward from line 19 of your 2008 Form 8396	6		
7	Add lines 3 through 6	7	1,671	
8	Enter the amount from Form 1040, line 46, or Form 1040NR, line 43.	8	5,869	
9	1040 filers: Enter the total of the amounts from Form 1040, lines 47 through 50; line 12 of the line 11 Worksheet in Pub. 972 (see instructions); Form 5695, line 11; Form 8834, line 22; Form 8910, line 21; Form 8936, line 14; and Schedule R (Form 1040A or 1040), line 24. 1040NR filers: Enter the amount from Form 1040NR, lines 44 through 46; line 12 of the line 11 Worksheet in Pub. 972 (see instructions); Form 5695, line 11; Form 8834, line 22; Form 8910, line 21; and Form 8936, line 14.	9	0	
10	Subtract line 9 from line 8. If zero or less, enter -0- here and on line 11 and go to Part II . . .	10	5,869	
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 52, or Form 1040NR, line 48, and check box a on that line . . .	11	1,671	

Part II Mortgage Interest Credit Carryforward to 2010. (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	2008 credit carryforward to 2010. Enter the smaller of line 6 or line 15	16		
17	Subtract line 16 from line 15.	17		
18	2007 credit carryforward to 2010. Enter the smaller of line 5 or line 17	18		
19	2009 credit carryforward to 2010. Subtract line 11 from line 3. If zero or less, enter -0- . . .	19		

General Instructions

Purpose of Form

Use Form 8396 to figure the mortgage interest credit for 2009 and any credit carryforward to 2010.

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 2010.

Line 9

If you are claiming the child tax credit, include on this line the amount from line 12 of the Line 11 Worksheet in Pub. 972.



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

Part II—Mortgage Interest Credit Carryforward to 2010

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. 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 2010, keep a copy of this form to figure your credit for 2010.



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.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Internal Revenue Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.