

(3) *Qualified home improvement loan.* The term “qualified home improvement loan” has the meaning given that term under section 103A (1)(6) and the regulations thereunder.

(4) *Qualified rehabilitation loan.* The term “qualified rehabilitation loan” has the meaning given that term under section 103A (1)(7)(A) and the regulations thereunder.

(5) *Single-family and owner-occupied residences.* The terms “single-family” and “owner-occupied” have the meaning given those terms under section 103A (1)(9) and the regulations thereunder.

(6) *Constitutional home rule city.* The term “constitutional home rule city” means, with respect to any calendar year, any political subdivision of a State which, under a State constitution which was adopted in 1970 and effective on July 1, 1971, had home rule powers on the 1st day of the calendar year.

(7) *Targeted area residence.* The term “targeted area residence” has the meaning given that term under section 103A (k) and the regulations thereunder.

(8) *Acquisition cost.* The term “acquisition cost” has the meaning given that term under section 103A (1)(5) and the regulations thereunder.

(9) *Average area purchase price.* The term “average area purchase price” has the meaning given that term under subparagraphs (2), (3), and (4) of section 103A (f) and the regulations thereunder. For purposes of this paragraph (b)(9), all determinations of average area purchase price shall be made with respect to residences as that term is defined in section 103A and the regulations thereunder.

(10) *Total proceeds.* The “total proceeds” of an issue is the sum of the products determined by multiplying—

(i) The certified indebtedness amount of each mortgage credit certificate issued pursuant to such issue, by

(ii) The certificate credit rate specified in such certificate.

Each qualified mortgage credit certificate program shall be treated as a separate issue of mortgage credit certificates.

(11) *Residence.* The term “residence” includes stock held by a tenant-stock-

holder in a cooperative housing corporation (as those terms are defined in section 216(b) (1) and (2)). It does not include property such as an appliance, a piece of furniture, a radio, etc., which, under applicable local law, is not a fixture. The term also includes any manufactured home which has a minimum of 400 square feet of living space and a minimum width in excess of 102 inches and which is of a kind customarily used at a fixed location. The preceding sentence shall not apply for purposes of determining the average area purchase price for single-family residences, nor shall it apply for purposes of determining the State ceiling amount. The term “residence” does not, however, include recreational vehicles, campers, and other similar vehicles.

(12) *Related person.* The term “related person” has the meaning given that term under section 103(b)(6)(C)(i) and § 1.103-10(e)(1).

(13) *Date of issue.* A mortgage credit certificate is considered issued on the date on which a closing agreement is signed with respect to the certified indebtedness amount.

(c) *Affidavits.* For purposes of §§ 1.25-1T through 1.25-8T, an affidavit filed in connection with the requirements of §§ 1.25-1T through 1.25-8T shall be made under penalties of perjury. Applicants for mortgage credit certificates who are required by a lender or the issuer to sign affidavits must be informed that any fraudulent statement will result in (1) the revocation of the individual’s mortgage credit certificate, and (2) a \$10,000 penalty under section 6709. Other persons required by a lender or an issuer to provide affidavits must receive similar notice. A person may not rely on an affidavit where that person knows or has reason to know that the information contained in the affidavit is false.

[T.D. 8023, 50 FR 19346, May 8, 1985]

#### **§ 1.25-2T Amount of credit (Temporary).**

(a) *In general.* Except as otherwise provided, the amount of the credit allowable for any taxable year to an individual who holds a qualified mortgage

credit certificate is equal to the product of the certificate credit rate (as defined in paragraph (b)) and the amount of the interest paid or accrued by the taxpayer during the taxable year on the certified indebtedness amount (as defined in paragraph (c)).

(b) *Certificate credit rate*—(1) *In general.* For purposes of §§ 1.25-1T through 1.25-8T, the term “certificate credit rate” means the rate specified by the issuer on the mortgage credit certificate. The certificate credit rate shall not be less than 10 percent nor more than 50 percent.

(2) *Limitation in certain States.* (i) In the case of a State which—

(A) Has a State ceiling for the calendar year in which an election is made that exceeds 20 percent of the average annual aggregate principal amount of mortgages executed during the immediately preceding 3 calendar years for single-family owner-occupied residences located within the jurisdiction of such State, or

(B) Issued qualified mortgage bonds in an aggregate amount less than \$150 million for calendar year 1983.

the certificate credit rate for any mortgage credit certificate issued under such program shall not exceed 20 percent unless the issuing authority submits a plan to the Commissioner to ensure that the weighted average of the certificate credit rates in such mortgage credit certificate program does not exceed 20 percent and the Commissioner approves such plan. For purposes of determining the average annual aggregate principal amount of mortgages executed during the immediately preceding 3 calendar years for single-family owner-occupied residences located within the jurisdiction of such State, an issuer may rely upon the amount published by the Treasury Department for such calendar years. An issuer may rely on a different amount from that safe-harbor limitation where the issuer has made a more accurate and comprehensive determination of that amount. The weighted average of the certificate credit rates in a mortgage credit certificate program is determined by dividing the sum of the products obtained by multiplying the certificate credit rate of each certificate by the certified indebt-

edness amount with respect to that certificate by the sum of the certified indebtedness amounts of the certificates issued. See section 103A(g) and the regulations thereunder for the definition of the term “State ceiling”.

(ii) The following example illustrates the application of this paragraph (b)(2):

*Example.* City Z issues four qualified mortgage credit certificates pursuant to its qualified mortgage credit certificate program. H receives a certificate with a certificate credit rate of 30 percent and a certified indebtedness amount of \$50,000. I receives a certificate with a certificate credit rate of 25 percent and a certified indebtedness amount of \$100,000. J and K each receive certificates with certificate credit rates of 10 percent; their certified indebtedness amounts are \$50,000 and \$100,000, respectively. The weighted average of the certificate credit rates is determined by dividing the sum of the products obtained by multiplying the certificate credit rate of each certificate by the certified indebtedness amount with respect to that certificate  $((.3 \times \$50,000) + (.25 \times \$100,000) + (.1 \times \$50,000) + (.1 \times \$100,000))$  by the sum of the certified indebtedness amounts of the certificates issued  $(\$50,000 + \$100,000 + \$50,000 + \$100,000)$ . Thus, the weighted average of the certificate credit rates is 18.33 percent  $(\$55,000 / \$300,000)$ .

(c) *Certified indebtedness amount*—(1) *In general.* The term “certified indebtedness amount” means the amount of indebtedness which is—

(i) Incurred by the taxpayer—

(A) To acquire his principal residence, § 1.25-2T(c)(1)(i),

(B) As a qualified home improvement loan, or

(C) As a qualified rehabilitation loan, and

(ii) Specified in the mortgage credit certificate.

(2) *Example.* The following example illustrates the application of this paragraph:

*Example.* On March 1, 1986, State X, pursuant to its qualified mortgage credit certificate program, provides a mortgage credit certificate to B. State X specifies that the maximum amount of the mortgage loan for which B may claim a credit is \$65,000. On March 15, B purchases for \$67,000 a single-family dwelling for use as his principal residence. B obtains from Bank M a mortgage loan for \$60,000. State X, or Bank M acting on behalf of State X, indicates on B’s mortgage credit certificate that the certified indebtedness amount of B’s loan is \$60,000. B

may claim a credit under section 25 (e) based on this amount.

(d) *Limitation on credit—(1) Limitation where certificate credit rate exceeds 20 percent.* (i) If the certificate credit rate of any mortgage credit certificate exceeds 20 percent, the amount of the credit allowed to the taxpayer by section 25(a)(1) for any year shall not exceed \$2,000. Any amount denied under this paragraph (d)(1) may not be carried forward under section 25(e)(1) and paragraph (d)(2) of this section.

(ii) If two or more persons hold interests in any residence, the limitation of paragraph (d)(1)(i) shall be allocated among such persons in proportion to their respective interests in the residence.

(2) *Carryforward of unused credit.* (i) If the credit allowable under section 25 (a) and §1.25-2T for any taxable year exceeds the applicable tax limit for that year, the excess (the “unused credit”) will be a carryover to each of the 3 succeeding taxable years and, subject to the limitations of paragraph (d)(2)(ii), will be added to the credit allowable by section 25 (a) and §1.25-2T for that succeeding year.

(ii) The amount of the unused credit for any taxable year (the “unused credit year”) which may be taken into account under this paragraph (d)(2) for any subsequent taxable year may not exceed the amount by which the applicable tax limit for that subsequent taxable year exceeds the sum of (A) the amount of the credit allowable under section 25 (a) and §1.25-1T for the current taxable year, and (B) the sum of the unused credits which, by reason of this paragraph (d)(2), are carried to that subsequent taxable year and are attributable to taxable years before the unused credit year. Thus, if by reason of this paragraph (d)(2), unused credits from 2 prior taxable years are carried forward to a subsequent taxable year, the unused credit from the earlier of those 2 prior years must be taken into account before the unused credit from the later of those 2 years is taken into account.

(iii) For purposes of this paragraph (d)(2) the term “applicable tax limit” means the limitation imposed by section 26 (a) for the taxable year reduced by the sum of the credits allowable for

that year under section 21, relating to expenses for household and dependent care services necessary for gainful employment, section 22, relating to the credit for the elderly and the permanently disabled, section 23, relating to the residential energy credit, and section 24, relating to contributions to candidates for public office. The limitation imposed by section 26 (a) for any taxable year is equal to the taxpayer’s tax liability (as defined in section 26 (b)) for that year.

(iv) The following examples illustrate the application of this paragraph (d)(2):

*Example 1.* (i) B, a calendar year taxpayer, holds a qualified mortgage credit certificate. For 1986 B’s applicable tax limit (*i.e.*, tax liability) is \$1,100. The amount of the credit under section 25 (a) and §1.25-2T for 1986 is \$1,700. For 1986 B is not entitled to any of the credits described in sections 21 through 24. Under §1.25-2T (d)(2), B’s unused credit for 1986 is \$600, and B is entitled to carry forward that amount to the 3 succeeding years.

(ii) For 1987 B’s applicable tax limit is \$1,500, the amount of the credit under section 25 (a) and §1.25-2T is \$1,700, and the unused credit is \$200. For 1988 B’s applicable tax limit is \$2,000, the amount of the credit under section 25 (a) and §1.25-2T is \$1,300, and there is no unused credit. For 1987 and 1988 B is not entitled to any of the credits described in sections 21 through 24. No portion of the unused credit for 1986 may be used in 1987. For 1988 B is entitled to claim a credit of \$2,000 under section 25 (a) and §1.25-2T, consisting of a \$1,300 credit for 1988, the \$600 unused credit for 1986, and \$100 of the \$200 unused credit for 1987. In addition, B may carry forward the remaining unused credit for 1987 (\$100) to 1989 and 1990.

*Example 2.* The facts are the same as in Example (1) except that for 1988 B is entitled to a credit of \$400 under section 23. B’s applicable tax limit for 1988 is \$1,600 (\$2,000 less \$400). For 1988 B is entitled to claim a credit of \$1,600 under section 25 (a) and §1.25-2T, consisting of a \$1,300 credit for 1988 and \$300 of the unused credit for 1986. In addition, B may carry forward the remaining unused credits of \$300 for 1986 to 1989 and of \$200 for 1987 to 1989 and 1990.

[T.D. 8023, 50 FR 19346, May 8, 1985]

### § 1.25-3 Qualified mortgage credit certificate.

(a)-(g)(1)(ii) [Reserved] For further guidance, see §1.25-3T(a) through (g)(1)(ii).

(g)(1)(iii) *Reissued certificate exception.* See paragraph (p) of this section for