

Example of the Federal Tax Credit advantage of an MCC

Loan Amount	\$	450,000
Mortgage Rate		5%
First year's mortgage interest	\$	22,349
MCC Credit Rate		20%
MCC Tax Credit amount	\$	4,470

	<u>Without MCC</u>	<u>With MCC</u>
Taxable Income	\$ 120,360	\$ 120,360
Mortgage interest deduction	\$ 22,349	\$ 17,879*
Taxable Income	\$ 98,011	\$ 102,481
Federal tax liability @ 24%	\$ 23,523	\$ 24,595
Subtract MCC amount	N.A.	\$ 4,470
Net Taxes Owed	\$ 23,523	\$ 20,125
Annual tax savings due to MCC credit		\$ 3,398

* \$22,349 of mortgage interest minus \$4,470 MCC Tax Credit amount equals \$17,879 mortgage interest deduction

Example of the Federal Tax Credit advantage of an MCC

Loan Amount	\$	500,000
Mortgage Rate		5%
First year's mortgage interest	\$	24,832
MCC Credit Rate		20%
MCC Tax Credit amount	\$	4,966

	<u>Without MCC</u>	<u>With MCC</u>
Taxable Income	\$ 140,420	\$ 140,420
Mortgage interest deduction	<u>\$ 24,832</u>	<u>\$ 19,866*</u>
Taxable Income	\$ 115,588	\$ 120,554
Federal tax liability @ 24%	\$ 27,741	\$ 28,933
Subtract MCC amount	<u>N.A.</u>	<u>\$ 4,966</u>
Net Taxes Owed	\$ 27,741	\$ 23,967
Annual tax savings due to MCC credit		\$ 3,774

* \$24,832 of mortgage interest minus \$4,966 MCC Tax Credit amount equals \$19,866 mortgage interest deduction