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## TaxSmart Mortgage Credit Certificate

TaxSmart is a Mortgage Credit Certificate (MCC) program which entitles first-time home buyers to income tax credit. A tax credit is a direct reduction of taxes due. Under the program, a home buyer can obtain an MCC to reduce income taxes by an amount equal to 20% of the interest paid on a mortgage. The program is available each year the home buyer continues to live in a home financed under this program.

**Federal law requires that a home buyer satisfy each of the following guidelines:**

- **First-Time Home Buyer.**  
Any person who has not owned a principal residence at any time during the three years prior to the mortgage loan under this program is considered a first-time home buyer. Non first-time home buyers are not eligible if they purchase a home in a designated target area. See below for list of target areas and tracts.
- **Income.**  
Because the program is intended to benefit low- and moderate-income households, federal law imposes maximum limits\* on the annual gross income of home buyers.
- **Purchase Price.**  
Federal law also imposes limits on the purchase price\*\* of homes financed under the program.
- **Principal Residence.**  
The home buyer must occupy the home as a principal residence within a reasonable period of time. In most circumstances, may not exceed 60 days after financing is provided. A principal residence is one occupied primarily for residential purposes and does not include a home used as an investment property, a recreational home or a home in which 15 percent or more of its total area is used for commercial or business purposes.
- **One-to-Four-Family Home.**  
Each residence financed must contain 1-4 units. A one-family residence includes a detached single-family unit of a duplex, a townhouse or a condominium unit. Manufactured housing or mobile homes are eligible if the unit has at least 400 square feet of living space, if it is more than 102 inches wide and is permanently affixed to real property. If the residence is a 2-4 unit building, one unit of the building must be the principal residence of the building owner and the residence must have been first occupied for residential purposes at least five years prior to applying for a mortgage loan financed in connection with the MCC. Land adjoining the home is considered part of the home only if it maintains the same ownership and is not, other than incidentally, a source of income to the owner.
- **New Mortgage.**  
The mortgage loan financed in connection with a credit certificate is required to be a new mortgage and may not replace a prior mortgage on the home (whether or not previously repaid).
- **Program Area.**  
In order to be eligible for a certificate, the home financed under the program must be located within the City of Chicago.

Under this program, mortgage credit certificates will be issued to eligible home buyers on a first-come, first-served basis. The certificates are available in connection with any type of mortgage loan (except for reverse mortgage and exempt bond programs), including fixed rate and adjustable rate mortgages. Any lending institution that provides loans under this program.

TaxSmart may not be used in conjunction with City Mortgage.

This description is only a summary of the requirements under the TaxSmart program. Applications and more information are available from [participating TaxSmart Mortgage Lenders](#).

A home buyer who obtains a mortgage credit certificate is not required to obtain financing from a lender whose name appears on the list.

**Income Limits**

	<b>Non-Target Area</b>	<b>Target</b>
1 person household	\$60,320	\$72,320
2 person household	\$75,400	\$90,400
3+ person household	\$86,710	\$105,710

**Purchase Price Limits\*\***

	<b>Existing</b>	<b>New Construction</b>
1 Unit Non-Target	\$281,250	\$281,250
1 Unit Target	\$343,750	\$343,750
2 Unit Non-Target	\$316,776	not eligible
2 Unit Target	\$387,171	\$387,171
3 Unit Non-Target	\$384,868	not eligible
3 Unit Target	\$470,395	not eligible
4 Unit Non-Target	\$444,078	not eligible
4 Unit Target	\$542,763	not eligible

*\*\*Purchase price limits are periodically adjusted and do not apply to mortgage credit certificates issued with qualified home improvement loans.*

The City is also soliciting lenders to participate in the TaxSmart Program. A lender is defined as a person/institution that provides financing for the acquisition, qualified rehabilitation or qualified home improvement of a residence. Lenders wishing to participate may print and complete the attached Lender Agreement and Economic Disclosure Statement, and send to:

City of Chicago, Department of Housing  
318 South Michigan Avenue  
Chicago, Illinois 60604  
Attention: TaxSmart Program

[IHDA Homebuyer Help/Census Tracts](#)



[City Mortgage Target Area Map](#) (525 KB)



[Economic Disclosure Statement and Affidavit](#)



[TaxSmart Lender Agreement](#) (73 KB)

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