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If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

Mortgage Interest Credit
(For Holders of Qualified Mortgage Credit Certificates Issued by
State or Local Governmental Units or Agencies.)

▶ Attach to Form 1040.

Name(s) shown on Form 1040

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 Form 1040.

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 2001 credit carryforward from line 18 of your 2003 Form 8396	4		
5	Enter any 2002 credit carryforward from line 16 of your 2003 Form 8396	5		
6	Enter any 2003 credit carryforward from line 19 of your 2003 Form 8396	6		
7	Add lines 3 through 6	7		
8	Enter the amount from Form 1040, line 43	8		
9	Enter the total of the amounts from Form 1040, lines 46 through 48	9		
10	Enter the amount from Form 6251, line 31 (see instructions)	10		
11	Add lines 9 and 10	11		
12	Subtract line 11 from line 8. If zero or less, enter -0- here and on line 13 and go to Part II	12		
13	Current year mortgage interest credit. Enter the smaller of line 7 or line 12. Also include this amount in the total on Form 1040, line 49, and check box a on that line.	13		

Part II Mortgage Interest Credit Carryforward to 2005. (Complete only if line 13 is less than line 7.)

14	Add lines 3 and 4	14		
15	Enter the amount from line 7	15		
16	Enter the larger of line 13 or line 14	16		
17	Subtract line 16 from line 15	17		
18	2003 credit carryforward to 2005. Enter the smaller of line 6 or line 17	18		
19	Subtract line 18 from line 17	19		
20	2002 credit carryforward to 2005. Enter the smaller of line 5 or line 19	20		
21	2004 credit carryforward to 2005. Subtract line 13 from line 3. If zero or less, enter -0-	21		

General Instructions

What's New

The mortgage interest credit is no longer allowed against the alternative minimum tax and a new tax liability limit applies. This limit is figured on Form 8396, lines 8 through 12.

Purpose of Form

Use Form 8396 to figure the mortgage interest credit for 2004 and any carryforward to 2005.

Who May Claim the Credit

You may 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.