

**SCHEDULE A
(Form 8609)**

(Rev. January 1994)
Department of the Treasury
Internal Revenue Service

Annual Statement

- ▶ **Attach to Form 8609 and file with owner's Federal income tax return.**
- ▶ **For Paperwork Reduction Act Notice, see instructions for Form 8609.**

OMB No. 1545-0988
Expires 9-30-96

Attachment
Sequence No. **36a**

A Building owner's name	B Identifying number ▶
	C Building identification number ▶

Credit information to enter on Form 8586 (See instructions.)

1 Eligible basis of building	1		
2 Low-income portion (smaller of unit percentage or floor-space percentage)	2		
3 Qualified basis of low-income building. Multiply line 1 by line 2. (See instructions.)	3		
4 Part-year adjustment	4		
5 Credit percentage	5		
6 Multiply line 3 or line 4 by the percentage on line 5	6		
7 Additions to qualified basis, if any	7		
8 Part-year adjustment	8		
9 Credit percentage. Enter one-third of the percentage on line 5	9		
10 Multiply line 7 or line 8 by the percentage on line 9	10		
11 Section 42(f)(3)(B) modification	11		
12 Add lines 10 and 11	12		
13 Credit for building before line 14 reduction. Subtract line 12 from line 6	13		
14 Disallowed credit due to Federal grants. (See instructions.)	14		
15 Credit allowed for building for tax year. (See instructions.)	15		
16 Taxpayer's proportionate share of credit for the year. (See instructions.)	16		
17 Pro rata reduction for the increased credit in prior year. (See instructions.)	17		
18 Taxpayer's credit for tax years after the election year. Subtract line 17 from line 16. Enter here and in Part I of Form 8586. (See instructions.)	18		

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

(Some of the line numbers on the January 1993 and January 1994 revisions of Form 8609 differ from earlier revisions of that form (i.e., the March 1991 and December 1989 revisions). In these cases, the line references that correspond to the earlier revisions of Form 8609 are shown in parentheses in these Schedule A instructions.)

Item To Note

The Revenue Reconciliation Act of 1993 (the 1993 Act) permanently extended the low-income housing credit and made other applicable changes reflected throughout these instructions.

Purpose of Schedule A

Schedule A (Form 8609) must be completed by the building owner each year of the 15-year compliance period, whether or not a credit is claimed for the tax year. For a building receiving separate allocations for the existing building and for the rehabilitation expenditures, a separate Schedule A must be completed for each credit claimed. Except as noted below, Schedule A is attached to the owner's copy of Form 8609 and both documents must be attached to the owner's Federal income tax return.

Note: Do not attach Schedule A or Form 8609 to your return if the building is owned by a partnership, S corporation, estate, or trust (flow-through entity). That entity will

attach these documents to its return filed for the tax year.

Except as noted below, if you are claiming a credit for the tax year, Schedule A and Form 8609 must be attached to **Form 8586**, Low-Income Housing Credit, and filed with your tax return.

Note: If the only credit you are claiming is a credit you received from a flow-through entity, Form 8586 is the only form necessary to claim the credit. The flow-through entity will complete an additional Form 8586 and attach that form with Schedule A and Form 8609 to its return.

Caution: If the qualified basis of the building has decreased from the qualified basis at the close of the previous tax year, you may have to recapture part of the credits taken in previous years. See section 42(j) and **Form 8611**, Recapture of Low-Income Housing Credit.

Section 502(a) of the Tax Reform Act of 1986 provides transitional relief from the passive loss rules for qualified investors in a qualified low-income housing project. However, if any person has been allowed any benefit under section 502(a) for the project, the low-income housing credit is not allowed for the project.

Specific Instructions

Item B.—Enter your identifying number as shown on your tax return.

Item C.—Enter the building identification number from Part I, item E, of Form 8609.

Line 1.—Generally, the eligible basis of a building for its entire 15-year compliance

period is the amount of eligible basis entered in Part II, line 7b (Part II, line 1b on earlier revisions) of Form 8609. Determine eligible basis at the close of the first year of the credit period (see sections 42(f)(1), 42(f)(5), and 42(g)(3)(B)(iii) for determining the start of the credit period). For housing projects consisting of two or more buildings, figure the eligible basis separately for each building.

For new buildings, the eligible basis is generally the cost of construction or rehabilitation expenditures incurred under section 42(e).

For existing buildings, the eligible basis is the cost of acquisition plus rehabilitation expenditures not treated as a separate new building under section 42(e) incurred by the close of the first year of the credit period.

Note: Generally, no credit is allowable for acquisition of an existing building after 1989 unless substantial rehabilitation is done. See sections 42(d)(2)(B)(iv) and 42(f)(5).

Residential rental property may qualify for the credit even though part of the building in which the residential units are located is used for commercial use. To figure the eligible basis of such property, do not include the cost of the nonresidential rental property. However, you may generally include the basis of common areas or tenant facilities, such as swimming pools or parking areas, provided there is no separate fee for the use of these facilities and they are made available on a comparable basis to all tenants in the project. See section 42(d).

Basis increases for buildings placed in service after December 31, 1989.—In order to increase the allocated credit for buildings in certain high-cost areas, the housing credit agency may increase the eligible basis of buildings located in these areas (after adjustments, if any, for Federal subsidies and grants). The agency may make this increase under the high-cost-area provisions of section 42(d)(5)(C).

The agency shows the increased percentage of the eligible basis in Part I, line 3b of Form 8609.

The eligible basis in Part II, line 7b of Form 8609 (Part II, line 1b, on earlier revisions), should reflect the percentage increase.

If the agency used an earlier revision of Form 8609 (which did not have line 3b in Part I) to issue a 1990 credit allocation to which the high-cost-area provisions were applied, it should have notified you of the Part I percentage increase in a separate statement. Based on this statement, increase the eligible basis of the building reported in Part II of the Form 8609 you file.

Note: *This increase cannot cause the credit on line 15 of Schedule A to exceed the credit amount allocated on line 1b, Part I of Form 8609.*

Basis reductions.—The amount of eligible basis determined in Part II, line 7b of Form 8609 (Part II, line 1b, on earlier revisions) does not include the cost of land, the amount of any Federal grant received for the building during the first year of the credit period, or any portion of a building's adjusted basis for which an election was made prior to November 5, 1990, under section 167(k). Do not reduce the eligible basis on line 1 of Schedule A by the amounts of any Federal grants received after the first year of the credit period. The calculation in line 14 of Schedule A will reduce the credit by the amount of any Federal grants received during the compliance period that did not reduce the eligible basis during the first year of the credit period.

For further information on determining eligible basis, see the instructions for Part II, line 7b of Form 8609 (Part II, line 1b, on earlier revisions) and section 42(d).

Line 2.—Only the portion of the basis on line 1 attributable to the low-income rental units in the building at the close of the tax year qualifies for the credit. This is the **smaller of (1)** the percentage of low-income units to all residential rental units (the "unit percentage"), or **(2)** the percentage of floor space of the low-income units to the floor space of all residential rental units (the "floor space percentage"). This percentage must be shown on line 2 as a decimal carried out to four places (e.g., 50% = .5000). Low-income units are units occupied by qualifying tenants, while residential rental units are all units, whether or not occupied.

Generally, a unit is not treated as a low-income unit unless it is suitable for occupancy and is used other than on a transient basis. Section 42(i)(3) provides for certain exceptions (e.g., units that provide transitional housing for the homeless may

qualify as low-income units). See section 42(i)(3) for more information.

If you dispose of the building, or your entire interest in the building (and you are not a member of a flow-through entity) before the close of the tax year, the low-income portion must be determined on the date you disposed of the building. If you dispose of less than your entire interest in the building, or if a member of a flow-through entity disposes of any interest in the building and the entity retains an interest in the building, the low-income portion must be determined at the close of the tax year.

Modified percentage.—For the first year of the credit period you must use a modified percentage on line 2 to reflect the average portion of a 12-month period that the units in a building were occupied by low-income individuals. Find the low-income portion as of the end of each **full** month that the building was in service during the year. Add these percentages together and divide by 12. Enter the result on line 2. For example, if a building was in service for the last 3 full months of your tax year, and was half occupied by low-income tenants as of the end of each of those 3 months, then assuming the smaller percentage was the unit percentage, you would enter .1250 on line 2 (i.e., $[\frac{.5}{2} + \frac{.5}{2} + \frac{.5}{2}] \div 12 = .1250$).

This first year adjustment does not affect the amount of qualified basis on which the credit is claimed in the remaining 9 years of the credit period. In general, the credit is claimed in the remaining 9 years by reference to the qualified basis at the close of each tax year. Because the first year credit is not determined solely by reference to the qualified basis at the close of the first year of the credit period, any reduction in credit resulting from the application of the first year adjustment may be claimed in the 11th year.

Line 3.—This is the portion of the eligible basis of the building attributable to the low-income residential rental units.

Imputed basis of zero.—However, the qualified basis of the building on line 3 is zero if any of the following three conditions apply.

1. The minimum set-aside requirement elected for the project on Form 8609, Part II, line 10c (Part II, line 5c, on earlier revisions), is not met. **IMPORTANT:** For buildings receiving a credit allocation after 1989, the minimum set-aside requirement must be met by the close of the first year of the credit period in order to claim any credit for the first year or for any subsequent years. Buildings that only receive credit allocations before 1990 have until the close of the tax year following the tax year the building was placed in service to meet this requirement.

2. The deep-rent-skewed test (15-40 Test) elected for the project on Form 8609, Part II, line 10d (Part II, line 5d, on earlier revisions), is violated. The 15-40 Test is not an additional test for satisfying the minimum set-aside requirements of section 42(g). The 15-40 Test is an election that relates to the determination of a low-income tenant's income. If this test is elected, at least 15% of all low-income

units in the project must be occupied at all times during the compliance period by tenants whose income is 40% or less of the area median gross income.

3. You disposed of the building or your entire interest therein during the tax year. If you did not post a bond, in addition to using an imputed basis of zero on line 3, you may have to recapture a portion of credits previously taken. File Form 8611 to figure and report the recapture amount. This paragraph affects only those taxpayers who dispose of the building or their entire interest therein. Those acquiring the building (or any interest therein) are not affected and, if the minimum set-aside requirements are otherwise satisfied, they may take a credit for the fraction of the year the building is owned by them, regardless of whether or not the seller posts bond.

Regulations under section 42(j) may provide other instances where you will have an imputed qualified basis of zero.

Note: *If the qualified basis of the building is zero, or if the building has an imputed qualified basis of zero, you may not claim a credit for the building for the tax year. You must enter zero on lines 3 and 16, and disregard lines 4 through 15 and lines 17 and 18.*

At-risk limitation for individuals and closely held corporations.—The basis of property may be limited if you borrowed against the property and are protected against loss, or if you borrowed money from a person who has other than a creditor interest in the property. See section 42(k).

Line 4.—If you dispose of a building or your entire interest therein during the tax year and you posted a bond under section 42(j)(6), you may claim a credit based on the number of months during the tax year for which you owned the building or an interest therein. Similarly, if you previously had no interest in the building, but you acquired the building or an interest therein during the tax year, you may claim a credit based on the number of months during the tax year for which you owned the building or an interest therein.

If the building is owned by a flow-through entity, the entity does not need to make any adjustment on line 4, unless the entity either disposes of the building or its entire interest therein, or acquires the building or an interest therein during the tax year (and the entity previously had no interest in the building). No adjustment needs to be made on line 4 for changes in the interests of the members of the flow-through entity during the tax year. Such changes will be reflected in the amount of credit the flow-through entity passes through to its members.

The owner who has owned the building for the longest period during the month in which the change in ownership occurs is deemed to have owned the building for that month. If the seller and new owner have owned the building for the same amount of time during the month of disposition, the seller is deemed to have owned the building for that month.

If you owned the building, or an interest therein, for the entire year (i.e., the full 12 months comprising your tax year), enter zero on line 4 and go to line 5. If, for a portion of the tax year, you had no ownership interest in the building, multiply the qualified basis on line 3 by a fraction, the numerator of which is the number of months during the tax year that you owned the building and the denominator of which is 12 (e.g., if line 3 is \$100,000 and the building was owned for 9 months, then line 4 would be \$75,000 ($9/12 \times \$100,000$)). Enter the result on line 4.

Note: Upon a change of ownership, the seller must give the new owner a copy of Form 8609 with Parts I and II completed and the signature line blank. The buyer and seller must retain copies of Form 8609 for recordkeeping purposes. The new owner must follow the instructions in Schedule A and the instructions for Form 8609 in order to claim any credits.

If none of the circumstances described in the line 4 instructions apply to you, enter zero on line 4.

Line 5.—If the agency has made an allocation on Form 8609, enter on line 5 the credit percentage shown on Form 8609, Part I, line 2. This percentage must be shown on line 5 as a decimal carried out to four places (e.g., 9.12% would be shown on line 5 as .0912).

Note: If you were allocated a 70% present value credit percentage for a building that was not federally subsidized and the building later receives a Federal subsidy, your credit percentage is reduced to the 30% present value credit that was in effect during the month the building was placed in service or for the month elected pursuant to section 42(b)(2)(A)(ii), whichever is applicable. The 30% present value credit applies to the building for the year the Federal subsidy was received and for the remainder of the compliance period, whether or not the Federal subsidy is repaid. See section 42(i)(2).

Line 6.—If you owned the building, or had an interest therein, for the entire tax year, multiply line 3 by line 5 and enter the result. If you had no ownership interest in the building for a portion of the tax year, multiply line 4 by line 5 and enter the result.

Lines 7 Through 12

If you are **not** claiming a credit for additions to qualified basis on line 7, enter zero on lines 7 through 12 and go to line 13.

Line 7.—An addition to qualified basis results when there is an increase in the number of low-income units or an increase in the floor space of the low-income units over that which existed at the close of the first year of the credit period (without application of the modified percentage calculation). You may claim a credit for an addition to qualified basis only if credit amounts have been allocated by the housing credit agency to cover these additions. Credits for an addition to qualified basis may be claimed at the reduced credit percentage of two-thirds of

the credit percentage (expressed as a decimal) on line 5 through the end of the compliance period.

If you are claiming a credit for additions to qualified basis, you must subtract the original qualified basis of the building at the close of the first year of the credit period (see Form 8609, Part II, line 8a (Part II, line 2a, on earlier revisions)) from the building's qualified basis entered on line 3 of Schedule A. Enter the result on line 7. If the result is zero or less, enter zero on lines 7 through 12 and enter the credit from line 6 on line 13.

Line 8.—Similar to the instructions to line 4, if you disposed of a building or your entire interest therein during the tax year and you posted a bond under section 42(j)(6), your credit for the year is adjusted to reflect the number of months during the tax year that you owned the building or an interest therein. Similarly, if you previously had no interest in the building, but you acquired the building or an interest therein during the tax year, your credit for the year is adjusted to reflect the number of months during the tax year you owned the building or an interest therein.

If the building is owned by a flow-through entity, the entity does not need to make any adjustment on line 8, unless the entity either (a) disposes of the building or its entire interest therein or (b) acquires the building or an interest therein during the tax year (and the entity previously had no interest in the building). No adjustment needs to be made on line 8 for changes in the interests of the members of the flow-through entity during the tax year. Such changes will be reflected in the amount of credit the flow-through entity passes through to its members.

If you owned the building, or an interest therein, for the entire tax year, enter zero on line 8 and go to line 9. If you had no ownership interest in the building for a portion of the tax year, multiply the additions to qualified basis on line 7 by a fraction, the numerator of which is the number of months during the tax year you owned the building and the denominator of which is 12. Enter the result on line 8.

Line 9.—The credit for additions to the building's qualified basis is determined using two-thirds of the credit percentage allowable for the building's original qualified basis. Therefore, one-third of the credit percentage (expressed as a decimal) on line 5 is not allowed. Enter on line 9 one-third of the amount shown on line 5. This amount must be reported on line 9 as a decimal carried out to four places (e.g., if the credit percentage entered on line 5 is .0912, one-third of that percentage would be expressed as .0304). See section 42(f)(3).

Line 10.—If you owned the building, or had an interest therein, for the entire tax year, multiply line 7 by line 9 and enter the result. If you had no ownership interest in the building for a portion of the tax year, multiply line 8 by line 9 and enter the result.

Line 11.—Section 42(f)(3)(B) requires that additions to qualified basis be adjusted to reflect the average portion of the year that the low-income units relating to the increase were occupied. This adjustment is required when there is an increase in the qualified basis of the building from the previous tax year. To determine this adjustment amount, complete the worksheet on page 6.

Line 14.—Section 42(d)(5)(A) requires the eligible basis to be reduced by the amount of any Federal grant made with respect to the building or the operation thereof during the compliance period. If the section 42(d)(5)(A) reduction does not apply, enter zero on line 14. If the reduction applies, you must calculate the line 14 reduction in the credit due to the receipt of any Federal grant for the building during the compliance period (which did not already reduce the amount of eligible basis reported on line 1 of Schedule A) by making the following calculations:

a. Divide the total amount of all Federal grants received for the building during the compliance period (which did not already reduce the amount of the eligible basis reported on line 1 of Schedule A) by the eligible basis in line 1 of this Schedule A. This result should be expressed as a decimal carried out to four places.

Note: If the eligible basis on line 1 of this Schedule A was increased by a percentage allowable under section 42(d)(5)(C) (and reflected either in Part I, line 3b of Form 8609 or in a separate statement issued to you by the housing credit agency), then increase the total amount of all Federal grants in a by this percentage increase and divide this amount by the eligible basis in line 1 of this Schedule A. For example, if the percentage increase is 130% and all Federal grants total \$11,000, multiply \$11,000 by 1.30 and divide the result (\$14,300) by the eligible basis on line 1.

b. Multiply the decimal amount determined in a by the credit on line 13. Enter this result on line 14.

Line 15.—Enter the lesser of (a) the total amount allocated by the housing credit agency to the building as shown in Part I, line 1b, of Form 8609, or (b) the result of line 13 minus line 14.

Note: The line 15 amount is the credit allowed for the building. It has already been adjusted by lines 4 and 8 of Schedule A to take into account the number of months the taxpayer owned the building for the tax year.

Line 16.—The Revenue Reconciliation Act of 1990 provided "qualifying" taxpayers a one-time election to accelerate their credit in the first tax year ending on or after October 25, 1990. If the taxpayer did **not** elect the accelerated credit for the first tax year ending on or after October 25, 1990, enter the taxpayer's proportionate share (see below) of the line 15 credit on lines 16 and 18 and enter zero on line 17.

If the taxpayer elected the accelerated credit, enter the taxpayer's proportionate share (see below) of the line 15 credit on line 16 and complete lines 17 and 18.

Determining the taxpayer's proportionate share of line 15 credit.—To determine the amount to enter on line 16, you must take into account the applicable rules listed in paragraphs **a**, **b**, **c**, and the **Special rules** below.

a. If the building is owned completely by one taxpayer, enter the line 15 credit (after adjustment for any applicable special rule below) on line 16.

b. If the building is owned by more than one taxpayer, and those taxpayers are not members of a flow-through entity, then the line 15 credit (after adjustment for any applicable special rule below) must be distributed according to each taxpayer's respective ownership interest in the building. For example, if a building is owned by individuals A and B (60% by A and 40% by B), each would complete a separate Schedule A as follows. Lines 1 through 15 would be the same for each, assuming no part-year adjustments are necessary. However, A would enter 60% of line 15 on line 16, and B would enter 40% of line 15 on line 16. Therefore, enter on line 16 your share of the line 15 credit for the building that relates to your interest in the building. If your interest increases or decreases during the tax year, the change must be taken into account in determining your share of the line 15 credit.

Note: *The aggregate credit claimed by the owners of the building cannot exceed the line 15 credit amount for the building.*

c. If a flow-through entity is completing Schedule A as the sole owner of the building, enter the line 15 credit (after adjustment for any applicable special rule below) on line 16.

Special rules.—If a taxpayer is subject to recapture because of failure to post a bond upon the disposition of a building or interest therein (see **De minimis recapture rule** below), no credit is allowed to the taxpayer for that percentage of the interest disposed of by the taxpayer. The credit allowed to the taxpayer for the tax year is determined by reference to the taxpayer's remaining interest in the building at the close of the tax year. For example, assume that a taxpayer owns 100% of a building for 9 months of the tax year and 40% of the building for the last 3 months of the tax year. (The taxpayer disposed of a 60% interest at the close of the ninth month.) If the taxpayer does not post a bond, the taxpayer's credit on line 16 would be based on 40% of the line 15 credit for the building. Similarly, although a taxpayer

might not be subject to recapture upon a disposition of a de minimis portion (explained below) of the taxpayer's interest in the building, no credit is allowed to the taxpayer for the percentage of the interest disposed of by the taxpayer. The credit allowed to the taxpayer for the tax year is determined by reference to the taxpayer's remaining interest in the building at the close of the tax year.

If the taxpayer posts a bond upon the disposition of the building or an interest therein, the taxpayer is allowed credit for the year both with respect to the ownership interest disposed of by the taxpayer and the interest retained by the taxpayer. For example, again assume that a taxpayer owns 100% of a building for 9 months of the tax year and 40% of the building for the last 3 months of the tax year. After posting a bond, the taxpayer's credit on line 16 would be based upon $\frac{1}{12}$ of 100% (or 75%) of the line 15 credit for the building plus $\frac{3}{12}$ of 40% (or 10%) of the line 15 credit amount.

If a taxpayer posts a bond upon the disposition of the building or upon a disposition of the taxpayer's entire interest in the building (and the taxpayer is not a member of a flow-through entity), the taxpayer's line 16 credit amount is determined by multiplying the line 15 credit amount by the percentage interest in the building disposed of by the taxpayer. For example, if a building is owned by individuals A and B (60% by A and 40% by B) and at the close of the fifth month of the tax year, C buys A's 60% interest in the building and A posts a bond, then A would enter 60% of line 15 on line 16. (Lines 4 and 8 have already taken into account the 5 months of the tax year that A held an interest in the building.)

De minimis recapture rule.—For administrative purposes, the Service intends to issue regulations adopting a de minimis rule that applies to partners in partnerships (other than partnerships described in section 42(j)(5)(B)) owning interests in qualified low-income buildings. The rule allows a partner to elect to avoid or defer recapture resulting from a disposition of interest in a partnership without posting bond until the partner has disposed of more than 33 $\frac{1}{3}$ % of the partner's greatest total interest in the qualified low-income building through the partnership. See Rev. Rul. 90-60, 1990-2 C.B. 3, for more information on the de minimis rule.

The 1993 Act revised section 42(g) to allow the Secretary of the Treasury, upon application by the building owner, to waive any recapture of the low-income housing

credit in the case of any de minimis error in complying with the minimum set-aside requirements.

Line 17.—If you elected the accelerated credit for your first tax year ending on or after October 25, 1990 (i.e., the election described in the instructions for line 16), you must decrease each subsequent year's allowable credit for property for which the increased credit was claimed by the subsequent year's ratable share of the increased credit. To find the ratable reduction share, divide the amount on line 17 of the January 1991 revision of Schedule A by the number of allowable credit years after the election year. This pro rata reduction amount will be the same for each credit year after the election year. Enter this amount on line 17. For example, assume a taxpayer elected to claim an accelerated credit of \$70 for the 1990 tax year. If the property is eligible for 7 years of credit after the election year, the allowable credit in each of the subsequent 7 years is reduced by \$10 (\$70 divided by 7). In this example, the taxpayer (or its successor) would report \$10 on line 17 of Schedule A (Form 8609) for each tax year after the election year.

Line 18.—If you are a qualifying partnership or S corporation that elected the accelerated credit for the first tax year ending on or after October 25, 1990, enter the line 18 amount in Part I of Form 8586 and separately allocate the line 18 amount to partners and shareholders as follows:

a. The regular 100% credit portion is allocated to nonqualifying partners.

b. The reduced credit portion (i.e., 100% credit less the line 17 ratable reduction amount) is allocated to qualifying partners and all shareholders (see **Note** below regarding treatment of the reduced credit for nonqualifying shareholders).

Note: *Although the increased credit was figured for all shareholders of a qualifying S corporation, shareholders who were nonqualifying shareholders were not permitted to claim on their tax returns their share of the increased credit. Instead, each nonqualifying shareholder's share of the increased credit is maintained in a suspense account and only the regular 100% credit is distributed to the nonqualifying shareholders on Schedule K-1 (Form 1120S).*

In tax years after the election year, the suspended credit is used to offset the nonqualifying shareholder's share of the ratable reduction in the credit (line 17 of Schedule A). See Section 7 of Rev. Proc. 91-7, 1991-1 C.B. 416.

Line 11 WORKSHEET (Keep for your records.)

<p>1 Enter the qualified basis of the building from line 3 of the previous tax year's Schedule A . . .</p>	1	
<p>Note: <i>If the amount entered on line 1 is greater than zero, skip line 2 and go to line 3.</i></p>		
<p>2 If the amount entered on line 1 was zero as a result of an imputed qualified basis of zero due to, for example: (a) violation of the minimum set-aside requirement or (b) violation of the deep-rent-skewed test, enter what would otherwise have been the qualified basis of the building (i.e., the amount that would have been entered for the building on line 3 of the previous tax year's Schedule A). This amount may be determined by multiplying the amount on line 1 of the previous year's Schedule A by the amount on line 2 of the previous year's Schedule A</p>	2	
<p>3 Increased qualified basis. Subtract the greater of the amount entered on line 1 or line 2 of this worksheet from the qualified basis entered on line 3 of this Schedule A. (If the amount entered on line 1 or line 2 of this worksheet is greater than zero but less than the original qualified basis of the building entered on Form 8609, Part II, line 8a (Part II, line 2a, on earlier revisions), then enter on line 3 of this worksheet the amount entered on line 7 of this Schedule A.)</p>	3	
<p>Note: <i>If the amount entered on line 3 of this worksheet is less than or equal to zero, do not complete the worksheet. Instead, enter zero on line 11 of Schedule A and go to line 12.</i></p>		
<p>4 Modified percentage. This is similar to the Modified percentage instructions for line 2, Schedule A. For each month during the tax year in which there was an increase in the low-income portion of the building, take the low-income portion of the building and subtract the low-income portion of the building at the close of the previous tax year (the amount on line 2 of the previous tax year's Schedule A). For example, if the previous tax year's low-income portion of .5000 increased to .7500 for the months of October, November, and December of this tax year, then subtract .5000 from .7500 to get an increase of .2500 for each month of October through December. Add these amounts together, divide by 12, and enter this amount. (This amount must be shown as a decimal carried out to four places (e.g., .2500 + .2500 + .2500 = .7500, divided by 12 = .0625.))</p>	4	
<p>5 Increased qualified basis entitled to reduced credit. Multiply line 1 of Schedule A by line 4 of this worksheet</p>	5	
<p>6 Increased qualified basis not entitled to reduced credit. Subtract line 5 above from line 3 above</p>	6	
<p>7 Schedule A, line 11 modification. Multiply the amount on line 6 of this worksheet by two-thirds of the amount on line 5 of this Schedule A. Enter this amount on line 11 of this Schedule A . . .</p>	7	