

Department of the Treasury  
Internal Revenue Service

▶ **Attach to your return.**

Name(s) shown on return

Identifying number

**Part I Current Year Credit** (See instructions.)

<b>1</b>	Number of Forms 8609 attached	▶													
<b>2</b>	Eligible basis of building(s) (total from attached Schedule(s) A (Form 8609), line 1)		<b>2</b>												
<b>3a</b>	Qualified basis of low-income building(s) (total from attached Schedule(s) A (Form 8609), line 3)		<b>3a</b>												
<b>b</b>	Has there been a decrease in the qualified basis of any building(s) since the close of the preceding tax year? <input type="checkbox"/> <b>Yes</b> <input type="checkbox"/> <b>No</b> If "Yes," enter the building identification number (BIN) of the building(s) that had a decreased basis. If more space is needed, attach a schedule to list the BINs. <b>(i)</b> _____ <b>(ii)</b> _____ <b>(iii)</b> _____ <b>(iv)</b> _____														
<b>4</b>	Current year credit (total from attached Schedule(s) A (Form 8609), see instructions)		<b>4</b>												
<b>5</b>	Credits from flow-through entities (if from more than one entity, see instructions):														
	<table border="1"> <tr> <td>If you are a—</td> <td>Then enter total of current year housing credit(s) from—</td> <td rowspan="3">} _____ EIN of flow-through entity</td> <td rowspan="3"><b>5</b></td> </tr> <tr> <td><b>a</b> Shareholder</td> <td>Schedule K-1 (Form 1120S), lines 12b(1) through (4)</td> </tr> <tr> <td><b>b</b> Partner</td> <td>Schedule K-1 (Form 1065), lines 13a(1) through (4)</td> </tr> <tr> <td><b>c</b> Beneficiary</td> <td>Schedule K-1 (Form 1041), line 13</td> <td></td> <td></td> </tr> </table>	If you are a—	Then enter total of current year housing credit(s) from—	} _____ EIN of flow-through entity	<b>5</b>	<b>a</b> Shareholder	Schedule K-1 (Form 1120S), lines 12b(1) through (4)	<b>b</b> Partner	Schedule K-1 (Form 1065), lines 13a(1) through (4)	<b>c</b> Beneficiary	Schedule K-1 (Form 1041), line 13				
If you are a—	Then enter total of current year housing credit(s) from—	} _____ EIN of flow-through entity	<b>5</b>												
<b>a</b> Shareholder	Schedule K-1 (Form 1120S), lines 12b(1) through (4)														
<b>b</b> Partner	Schedule K-1 (Form 1065), lines 13a(1) through (4)														
<b>c</b> Beneficiary	Schedule K-1 (Form 1041), line 13														
<b>6</b>	Add lines 4 and 5. (See instructions to find out if you complete Part II or file Form 3800.)		<b>6</b>												
<b>7</b>	<b>Passive activity credit</b> or <b>total current year credit</b> for 1996 (see instructions)		<b>7</b>												

**Part II Tax Liability Limit**

<b>8</b>	Regular tax before credits:		
	<ul style="list-style-type: none"> <li>Individuals. Enter amount from Form 1040, line 38</li> <li>Corporations. Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1)</li> <li>Other filers. Enter regular tax before credits from your return</li> </ul>	}	<b>8</b>
<b>9a</b>	Credit for child and dependent care expenses (Form 2441, line 10)		
<b>b</b>	Credit for the elderly or the disabled (Schedule R (Form 1040), line 20)	<b>9b</b>	
<b>c</b>	Mortgage interest credit (Form 8396, line 11)	<b>9c</b>	
<b>d</b>	Foreign tax credit (Form 1116, line 32, or Form 1118, Sch. B, line 12)	<b>9d</b>	
<b>e</b>	Possessions tax credit (Form 5735)	<b>9e</b>	
<b>f</b>	Credit for fuel from a nonconventional source	<b>9f</b>	
<b>g</b>	Qualified electric vehicle credit (Form 8834, line 19)	<b>9g</b>	
<b>h</b>	Add lines 9a through 9g		<b>9h</b>
<b>10</b>	Net regular tax. Subtract line 9h from line 8		<b>10</b>
<b>11</b>	Alternative minimum tax:		
	<ul style="list-style-type: none"> <li>Individuals. Enter amount from Form 6251, line 28</li> <li>Corporations. Enter amount from Form 4626, line 15</li> <li>Estates and trusts. Enter amount from Form 1041, Schedule I, line 41</li> </ul>	}	<b>11</b>
<b>12</b>	Net income tax. Add lines 10 and 11		
<b>13</b>	Tentative minimum tax (see instructions):		
	<ul style="list-style-type: none"> <li>Individuals. Enter amount from Form 6251, line 26</li> <li>Corporations. Enter amount from Form 4626, line 13</li> <li>Estates and trusts. Enter amount from Form 1041, Schedule I, line 37</li> </ul>	}	<b>13</b>
<b>14</b>	If line 10 is more than \$25,000, enter 25% (.25) of the excess (see instructions)		
<b>15</b>	Enter the greater of line 13 or line 14.		<b>15</b>
<b>16</b>	Subtract line 15 from line 12. If zero or less, enter -0-		<b>16</b>
<b>17</b>	<b>Low-income housing credit allowed for current year.</b> Enter the <b>smaller</b> of line 7 or line 16. Enter here and on Form 1040, line 42; Form 1120, Schedule J, line 4d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return		<b>17</b>

Section references are to the Internal Revenue Code.

**Paperwork Reduction Act Notice**

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** . . . . . 6 hr., 28 min.
- Learning about the law or the form** . . . . . 1 hr., 32 min.
- Preparing and sending the form to the IRS** . . . . . 4 hr., 6 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the IRS at the address listed in the instructions for the tax return with which this form is filed.

## General Instructions

### Purpose of Form

An owner of a residential rental building in a qualified low-income housing project uses Form 8586 to claim the low-income housing credit.

The low-income housing credit determined under section 42 is a credit of 70% of the qualified basis of each new low-income building placed in service after 1986 (30% for certain federally subsidized new buildings or existing buildings). This credit is taken over a 10-year period so that the present value of the 10 annual credit amounts determined as of the last day of the first year of the credit period equals 70% (or 30%) of the building's qualified basis.

In general, the 10-year credit period starts at the beginning of the tax year in which the building is placed in service. However, you may elect to begin the 10-year credit period in the tax year after the year the building was placed in service by checking the "Yes" box in Part II, line 10a of **Form 8609**, Low-Income Housing Credit Allocation Certification.

### Partnerships, S Corporations, Estates, and Trusts

Complete Part I to figure the credit to pass through to the partners, shareholders, or beneficiaries. Attach Form 8586 to the entity's income tax return along with Form 8609, and **Schedule A (Form 8609)**, Annual Statement, for each building.

### Qualified Low-Income Housing Project

The low-income housing credit can only be claimed for residential rental buildings in low-income housing projects that meet one of the minimum set-aside tests (20–50 or 40–60 (25–60 for New York City only)). See the instructions for Part II, line 10c of Form 8609 for details. You may elect either test for the project, but once made, the election is irrevocable. The test elected must be the same for all buildings in the project. Use Form 8609 to make this election. See section 42(g) for more details.

Except for buildings financed with certain tax-exempt bonds, you may not take a low-income housing credit on a building if it has not received an allocation. Generally, the allocation must be received by the close of the calendar year the building is placed in service. In addition, no credit will be allowed in excess of the amount allocated to the building by the housing credit agency. See section 42(h)(1) for details. An allocation is not needed when (a) 50% or more of the aggregate basis of the building and the land on which the building is located is financed with certain tax-exempt bonds issued after 1989 for buildings placed in service after 1989; or (b) 70% or more of the aggregate building and land is financed with certain tax-exempt bonds issued before 1990. "Land on which the building is located" includes only land that is functionally related and

subordinate to the qualified low-income building (see Regulations sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) for the meaning of "functionally related and subordinate").

Except as noted in the **Specific Instructions**, you must obtain a Form 8609 (with Part I completed) from the state or local credit agency for each building for which you are claiming a credit. Attach to your return a copy of Form 8609 and accompanying Schedule A (Form 8609) for each building for each year of the 15-year compliance period. You must also certify certain first-year information to the IRS on Form 8609. If this certification is not made, you may not claim a credit for that building.

### Recapture of Credit

There is a 15-year compliance period during which the residential rental building must continue to meet certain requirements. If, as of the close of any tax year in this period, there is a reduction in the qualified basis of any building from the previous year, you may have to recapture a part of the credit you have taken. Similarly, you may have to recapture part of the credits taken in previous years upon certain dispositions of the building or interests therein. Use **Form 8611**, Recapture of Low-Income Housing Credit. See the instructions for Form 8611 and section 42(j) for more information.

### Recordkeeping

Keep a copy of this Form 8586 together with all Forms 8609, Schedule(s) A (Form 8609), and Form 8611 for 3 years after the 15-year compliance period ends.

## Specific Instructions

**Note:** If your only credit is from a flow-through entity (i.e., partnership, S corporation, estate, or trust), you do not have to obtain, complete, or attach Form 8609 or Schedule A (Form 8609) to Form 8586. Skip lines 1 through 4 and complete only lines 5, 6, and 7 of Part I and the applicable lines of Part II, or Form 3800, if required.

**Line 1.**—If any of the attached Forms 8609 are for buildings that are part of a multiple building project (defined in instructions for Part II, line 2b (line 8b on the January 1993 and later versions) of Form 8609), attach a schedule listing the following information for each project: (a) name and address of the project and each building in the project, (b) the building identification number (BIN) of each building in the project, (c) the aggregate credit dollar amount for the project, and (d) the credit allocated to each building in the project.

**Line 3b.**—A decrease in qualified basis will result in recapture if the qualified basis at the close of the tax year is less than the qualified basis at the close of the first year of the credit period.

**Important:** If the reduction in qualified basis at the close of the tax year also results in a violation of the minimum set-aside requirement, then no credit is allowable for the year. If you must recapture credits, use Form 8611. See section 42(j) for more information.

**Line 4.**—The line 4 credit for the year is figured on Schedule A (Form 8609) for each building. Attach copies of Form(s) 8609 and Schedule(s) A (Form 8609) to Form 8586 for

each tax year a credit is claimed. Enter on line 4 the credit from Schedule A (Form 8609). If more than one Form 8609 and related Schedules A are attached, enter on line 4 the total credit from all attached Schedules A.

For a flow-through entity with a line 4 credit attributable to more than one building, attach a schedule to Form 8586 that shows each partner's, shareholder's, or beneficiary's name, identifying number, and share of the line 4 credit and BIN for each building.

**Line 5.**—If you have a credit from a flow-through entity, enter the entity's employer identification number (EIN) and the credit amount on line 5. If you have credits from more than one flow-through entity, attach a statement that shows the EIN and credit amount for each entity. Enter the total credit on line 5.

**Line 6.**—If the line 6 credit is your only 1996 general business credit (see **Note** below) and you do not have a carryback or carryforward of any general business credit, complete line 7 and Part II to determine your allowed low-income housing credit.

If you have more than one general business credit or a carryback or carryforward of any general business credit, **do not** complete line 7 or Part II. Enter the line 6 credit on **Form 3800**, General Business Credit, and complete Form 3800 to determine your allowed credit.

**Note:** The general business credit consists of several credits including investment (Form 3468), work opportunity (Form 5884), alcohol used as fuel (Form 6478), research (Form 6765), low-income housing (Form 8586), disabled access (Form 8826), enhanced oil recovery (Form 8830), renewable electricity production (Form 8835), Indian employment (Form 8845), employer social security and Medicare taxes paid on certain employee tips (Form 8846), orphan drug (Form 8820), contributions to selected community development corporations (Form 8847), and trans-Alaska pipeline liability fund. The empowerment zone employment credit (Form 8844), while a component of the general business credit, is figured separately on Form 8844 and is never carried to Form 3800.

**Line 7.**—The line 6 credit may be subject to the passive activity credit limitation. Individuals, estates, and trusts should see the separate **Instructions for Form 8582-CR**, Corporate Passive Activity Credit Limitations, and closely held corporations should see the separate **Instructions for Form 8810**, Passive Activity Loss and Credit Limitations, to find out if this limitation applies. If applicable, enter the credit allowed from Form 8582-CR or Form 8810 on line 7. Filers not subject to the passive activity limitation should enter the line 6 amount on line 7.

**Line 13.**—Enter the tentative minimum tax (TMT) that was figured on the appropriate alternative minimum tax (AMT) form or schedule. Although you may not owe AMT, you must still compute the TMT to figure your credit.

**Line 14.**—See section 38(c)(3) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

**Line 17.**—If you cannot use part or all of the credit because of the tax liability limit (line 16 is smaller than line 7), carry the excess back 3 years and then forward 15 years. See the separate Instructions for Form 3800 for details.

