

Instructions for Form 8609-A



(Rev. December 2025)

Annual Statement for Low-Income Housing Credit

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

Future Developments

For the latest information about developments related to Form 8609-A and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8609A](https://www.irs.gov/Form8609A).

What's New

Line 3. We added a new subsection: [Limitation due to Form 8609, line 3a, computation](#).

General Instructions

Purpose of Form

Form 8609-A is filed by a building owner to report compliance with the low-income housing provisions and calculate the low-income housing credit. Form 8609-A must be filed by the building owner for each year of the 15-year compliance period. File one Form 8609-A for the allocation(s) for the acquisition of an existing building and a separate Form 8609-A for the allocation(s) for rehabilitation expenditures.

If the building owner is a partnership, S corporation, estate, or trust (pass-through entity), the entity will complete Form 8609 and Form 8609-A. The entity will attach Form 8609-A to its tax return. If you are a partner, shareholder, or beneficiary in the pass-through entity that owns the building, file only Form 8586, Low-Income Housing Credit, to claim the credit using the information that the entity furnishes to you on Schedule K-1.

Recapture of Credit

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 parts of the credits allowed in previous years. See Form 8611, Recapture of Low-Income Housing Credit.

TIP *If the close of the first year of the credit period with respect to a building is on or after April 1, 2020, and before 2023, then, for purposes of section 42(f)(3)(A)(ii), the qualified basis for the building for the first year of the credit period is calculated by taking into account any increase in the number of low-income units by the close of the 6-month period following the close of that first year. See section IV(E) of Notice 2021-12 (at [IRS.gov/pub/irs-drop/n-21-12.pdf](https://www.irs.gov/pub/irs-drop/n-21-12.pdf)), as clarified by Notice 2021-17 (at [IRS.gov/pub/irs-drop/n-21-17.pdf](https://www.irs.gov/pub/irs-drop/n-21-17.pdf)), and as amended by section IV(E) of Notice 2022-5 (at [IRS.gov/pub/irs-drop/n-22-05.pdf](https://www.irs.gov/pub/irs-drop/n-22-05.pdf)).*

Recapture and building dispositions. The disposition of a building, or an interest therein, will generate the recapture of the credit. You can prevent the recapture if you follow the procedures below, relative to the date of the disposition of the building or the interest therein.

Building dispositions before July 31, 2008. Disposing of a building or an interest therein during the tax year will generate credit recapture, unless you timely post a satisfactory bond or pledge eligible U.S. Treasury securities as collateral. For details

on the rules for posting or pledging, see Rev. Rul. 90-60, 1990-2 C.B. 3, and Rev. Proc. 99-11, 1991-1 C.B. 275.

Note: You may discontinue maintaining a bond or pledging eligible U.S. Treasury securities by making the election described in Rev. Proc. 2008-60, 2008-43 I.R.B. 1006, and if it is reasonably expected that the building will continue to be operated as a qualified low-income building for the remainder of the building's compliance period. See Rev. Proc. 2008-60 for the details on making the election.

Building dispositions after July 30, 2008. Disposing of a building or an interest therein will generate a credit recapture, unless it is reasonably expected that the building will continue to be operated as a qualified low-income building for the remainder of the building's compliance period.

See section 42(j) and Notice 2021-12, section IV(D), as amended by Notice 2022-5, section IV(D) for more information.

Sale of Building

Upon a change of ownership, the seller should give the new owner a copy of the Form 8609 (Parts I and II complete). This form allows the new owner to substantiate the credit.

Specific Instructions

Item and Line Instructions

Part I—Compliance Information

Item A. Enter the building identification number (BIN) from Part I, item E, of Form 8609.

Item B. You need to file one Form 8609-A for a newly constructed or existing building. You need to file a separate Form 8609-A for section 42(e) rehabilitation expenditures because such expenditures are treated as creating a new building.

Item C. In order to claim the credit, you must have an original, signed Form 8609 (or copy thereof) issued by a housing credit agency assigning a BIN for the building. This applies even if no allocation is required (as in the case of a building financed with tax-exempt bonds). Check "Yes" to certify that you have the required Form 8609 in your records.

CAUTION *Any building owner claiming a credit without receiving a completed Form 8609 that is signed and dated by an authorized official of the housing credit agency and submitting the completed Form 8609 (Parts I and II) to the IRS is subject to having the credit disallowed.*

Item D. If "No," stop here and see Form 8611 to find out if you have to recapture part of the credit allowed in prior years.

Item E. If "Yes," see the instructions for line 2 to figure the reduced qualified basis. Also, see Form 8611 to find out if you have to recapture part of the credit allowed in prior years.

If "No," and the entire credit has been claimed in prior tax years (generally, this can occur after the 11th year for which the credit has been claimed for the building), do not complete Part II.

Part II—Computation of Credit

Line 1. Generally, the eligible basis of a building for its entire 15-year compliance period is the amount of eligible basis entered on Form 8609, line 7.

Basis increases for buildings in certain high-cost areas. In order to increase the 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) (B). For buildings placed in service before July 31, 2008, the high-cost area provisions under former section 42(d)(5)(C) apply.

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

Basis reductions for buildings placed in service before July 31, 2008. The amount of eligible basis entered on Form 8609 does not include the cost of land or the amount of any federal grant received for the building during the first year of the credit period. Do not reduce the eligible basis on line 1 by the amounts of any federal grants received after the first year of the credit period. The calculation for line 14 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 more details on determining eligible basis, see the instructions for Form 8609, line 7.

Basis reductions for buildings placed in service after July 30, 2008. The amount of eligible basis entered on Form 8609 does not include the cost of land or the amount of any costs financed with the proceeds of a federally funded grant. Do not reduce the eligible basis on line 1 by the amounts of any federal grants received after the first year of the credit period. Don't reduce eligible basis by any energy credit for property placed in service after 2022 or clean electricity investment credit for property placed in service after 2024. See section 50(c)(3)(C) for details. The calculation for line 14 will reduce the credit for any costs financed with the proceeds of a federal grant.

For more details on determining eligible basis, see the instructions for Form 8609, line 7.

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 the fractional amount of low-income units to all residential rental units (the "unit fraction") or the fractional amount of floor space of the low-income units to the floor space of all residential rental units (the "floor space fraction"). This fraction must be shown on line 2 as a decimal carried out to at least four places (for example, $\frac{50}{100} = .5000$). 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, used other than on a transient basis, and occupied by qualifying tenants. Section 42(i)(3) provides for certain exceptions (for example, units that provide transitional housing for the homeless may qualify as low-income units). See section 42(i)(3) for more details. Also, see section 42(g)(2)(D) regarding the available unit rule and Regulations section 1.42-5(c)(1)(ix) regarding the vacant unit rule.

If individuals are medical personnel or other essential workers (as defined by state or local governments) who provided services during the COVID-19 pandemic, then, for purposes of emergency housing provided from April 1, 2020, to December 31, 2022, owners of low-income housing projects may treat these individuals as if they were "displaced individuals." That is, owners could have provided emergency housing for these

individuals during this period pursuant to the provisions of Rev. Proc. 2014-49, 2014-37 I.R.B. 535 (at [IRS.gov/pub/irs-drop/rp-14-49.pdf](https://www.irs.gov/pub/irs-drop/rp-14-49.pdf)), and Rev. Proc. 2014-50, 2014-37 I.R.B. 540 (at [IRS.gov/pub/irs-drop/rp-14-50.pdf](https://www.irs.gov/pub/irs-drop/rp-14-50.pdf)), as applicable. See Notice 2021-12, section V(E), as amended by Notice 2022-5, section V(E).

If you dispose of the building, or your entire interest in the building, 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, the low-income portion must be determined at the close of the tax year.

First-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. Figure 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 fractional amount was the unit fraction, you would enter 0.1250 on line 2 ($(0.5 + 0.5 + 0.5) / 12 = 0.1250$).

This first-year adjustment does not affect the amount of qualified basis on which the credit is claimed in the next 9 tax years. In general, the credit is claimed in those years by reference to the qualified basis at the close of each tax year.

TIP If the close of the first year of the credit period with respect to a building is on or after April 1, 2020, and before 2023, then, for purposes of section 42(f)(3)(A)(ii), the qualified basis for the building for the first year of the credit period is calculated by taking into account any increase in the number of low-income units by the close of the 6-month period following the close of that first year. See Notice 2021-12, section IV(E), as clarified by Notice 2021-17, and as amended by Notice 2022-5, section IV(E).

Because the first-year credit is not determined solely by reference to the qualified basis at the close of the year, any reduction in credit resulting from the application of the first-year adjustment may be claimed in the 11th year. See the instructions for line 17.

Line 3. Generally, the qualified basis of the low-income building (the amount on line 3) is the product of lines 1 and 2. It is the portion of the eligible basis of the building attributable to the low-income residential rental units.

Limitation due to Form 8609, line 3a, computation. In figuring the maximum qualified basis on Form 8609, line 3a, the housing credit agency may have used only the amount of eligible basis necessary to result in a qualified basis that, when multiplied by the credit percentage on Form 8609, line 2, equals the credit amount on Form 8609, line 1b. If that is the case, then Form 8609-A, line 3, is limited to the maximum qualified basis shown on Form 8609, line 3a.

Imputed qualified basis of zero. However, the qualified basis of the building (line 3) is zero if any of the following conditions apply.

- The minimum set-aside requirement elected for the project on Form 8609, line 10c, is not met, or the entire building is out of compliance with the requirements under section 42.
- The deep rent skewed test (15-40 test) elected for the project on Form 8609, line 10d, is violated. The 15-40 test is not an additional test for satisfying the minimum set-aside requirements of section 42(g)(1). 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 (or, when applicable, national non-metropolitan median gross income or national non-metropolitan median income).

- You disposed of the building or your entire interest therein during the tax year and did not follow the procedures (described earlier under [Recapture and building dispositions](#)) to prevent recapture. 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 recaptured 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.

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 skip lines 4 through 15, 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 owned the building (or an interest therein) for the entire year, enter zero on line 4 and go to line 5.

Disposal of building or interest therein. If you disposed of a building or your entire interest therein during the tax year and you followed the procedures (described earlier under [Recapture and building dispositions](#)) to continue to claim the credit, you may claim a credit based only on the number of days 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 only on the number of days during the tax year for which you owned the building or an interest therein.

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.

Example. Both the buyer and the seller are calendar-year taxpayers. The sale takes place on May 25 of a 365-day calendar year. The qualified basis of the low-income building is \$20,000. The seller and buyer will each complete a separate Form 8609-A and enter \$20,000 on line 3.

In this situation, the seller is deemed to have owned the building for all 31 days of May. Therefore, the seller owned the building for 151 days of the 365-day tax year, and the buyer owned the building for the remaining 214 days. The seller will multiply \$20,000 by 151/365 to get \$8,274. The seller will enter \$8,274 on line 4 of his Form 8609-A. The buyer will multiply \$20,000 by 214/365 to get \$11,726. The buyer will enter \$11,726 on line 4 of her Form 8609-A.

Pass-through entities. If the building is owned by a pass-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). Do not make an adjustment on line 4 for changes in the interests of the members of the pass-through entity during the tax year. Instead, the entity must reflect these changes in the amount of credit it passes through to its members.

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 at least four places (for example, 8.13% would be shown on line 5 as 0.0813).

Buildings placed in service before July 31, 2008. If you were allocated a 70% present value credit percentage for a building that was not federally subsidized (as defined on the date the building was placed in service) 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 under former section 42(b)(2)(A)(ii), whichever applies. 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. For the definition of federal subsidy that was in effect before July 31, 2008, see section 42(i)(2) (as in effect before July 31, 2008).

Buildings placed in service after July 30, 2008. If you were allocated a 70% present value credit percentage for a building that was not federally subsidized (as defined on the date the building was placed in service) 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 under section 42(b)(1)(A)(ii), whichever applies. 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. For the definition of federal subsidy that was in effect after July 30, 2008, see section 42(i)(2) (as in effect after July 30, 2008).



A minimum applicable credit percentage of:

- 4% is in effect for new federally subsidized buildings, and for existing buildings, placed into service after 2020. For the minimum 4% rate to apply, a building must also receive an allocation of housing credit dollar amount after 2020 or have a portion of the building financed with an obligation described in section 42(h)(4)(A) that is issued after 2020. If these circumstances apply, don't enter less than 4% on line 2. See section 42(b)(3) and the Taxpayer Certainty and Disaster Tax Relief Act of 2020, section 201. But see the Note next.
- 9% is in effect for new non-federally subsidized buildings placed in service after July 30, 2008. The 9% minimum applies to new non-federally subsidized buildings even if the taxpayer made an irrevocable election under former section 42(b)(1)(A)(ii). If this circumstance applies, don't enter less than 9% on line 2. See section 42(b)(2).

Note: As a result of Rev. Rul. 2021-20 (at [IRS.gov/pub/irs-drop/rr-21-20.pdf](https://www.irs.gov/pub/irs-drop/rr-21-20.pdf)), as clarified by Rev. Proc. 2021-43 (at [IRS.gov/pub/irs-drop/rp-21-43.pdf](https://www.irs.gov/pub/irs-drop/rp-21-43.pdf)), the 4% floor in section 42(b)(3) does **not** apply to:

- A building that is financed in part with a draw-down exempt facility bond issue that was issued in 2020 and on which one or more draws are taken after 2020;
- A building that is financed in part with proceeds of an exempt facility bond issue that was issued in 2020 and in part with proceeds of a different exempt facility bond issue that was issued in a minimal amount after 2020; or
- A building that receives an allocation of housing credit dollar amount in 2020 and a minimal additional allocation after 2020.

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

Lines 7 Through 12

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



You may claim a credit for an addition to qualified basis only if the credit amounts have been allocated by the housing credit agency to cover these additions.

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 (before application of the modified percentage calculation). Credits for an addition to qualified basis are claimed at the reduced credit percentage of two-thirds of the credit percentage (expressed as a decimal carried out to at least four places) on line 5 through the end of the 15-year 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, line 8a) from the building's qualified basis entered on line 3. Enter the result on line 7. If the result is zero or less, skip lines 8 through 12 and enter the credit from line 6 on line 13.

Line 8. The determinations and calculations you make on line 8 follow the instructions for line 4. Therefore, if you owned the building (or an interest therein) for the entire year, enter zero on line 8 and go to line 9.

Disposal of building or interest therein. If you disposed of a building or your entire interest therein during the tax year, see [Disposal of building or interest therein](#) under *Line 4*, earlier; and, wherever line 3 and line 4 are referenced, substitute line 7 and line 8, respectively.

Pass-through entities. If the building is owned by a pass-through entity, see [Pass-through entities](#) under *Line 4*, earlier; and, wherever line 4 is referenced, substitute line 8 instead.

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 carried out to at least four places) 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 at least four places (for example, if the credit percentage entered on line 5 is 0.0813,

one-third of that percentage would be expressed as 0.0271). 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. If you had no ownership interest in the building for a portion of the tax year, multiply line 8 by line 9.

Line 11. Additions to qualified basis must 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 if the increase in qualified basis of the building exceeds the qualified basis (including additions to qualified basis) of the building in any prior tax year. To determine this adjustment amount, complete the Line 11 Worksheet.

Lines 13 Through 18

Line 13. If you are not claiming a credit for additions to qualified basis on line 7, skip lines 7 through 12 and enter the amount from line 6 on line 13.

Line 14. The eligible basis on line 1 must be reduced by federal grants received. If a reduction does not apply because this is the first year of the credit period (line 1 already reflects the reduction or noninclusion of a federal grant), or no federal grant was received, enter zero on line 14. Otherwise, follow the instructions that apply for the date the building was placed in service.

Buildings placed in service before July 31, 2008. Reduce the eligible basis on line 1 by the amount of any federal grant for the building, or the operation thereof, received during the 15-year compliance period.

Buildings placed in service after July 30, 2008. Reduce the eligible basis on line 1 by the amount of any costs financed by the proceeds of a federal grant.

Regardless of the date the building was placed in service, figure the reduction as follows.

Step 1. Divide the total amount of all federal grants received for the building during the compliance period that did not already reduce the amount of the eligible basis (reported on line 1) by the eligible basis on line 1 of this Form 8609-A. Enter the result as a decimal carried out to at least four places.

Note: If the eligible basis on line 1 of this Form 8609-A was increased by a percentage allowable under section 42(d)(5)(B) (former section 42(d)(5)(C) for buildings placed in service before July 31, 2008), and the increased percentage is reflected on line 3b of Form 8609, then increase the total amount of all

Line 11 Worksheet (Keep for Your Records)

1	Enter the qualified basis of the building from line 3 of this tax year's Form 8609-A	1	
2	Multiply the amount on line 1 of the previous year's Form 8609-A by the amount on line 2 of that Form 8609-A	2	
3	Increased qualified basis. Subtract line 2 above from line 1 above. But if line 2 above is more than zero but less than the original qualified basis of the building entered on Form 8609, line 8a, then enter the amount from line 7 of this Form 8609-A instead. Note: If line 3 above is zero or less, do not complete the rest of this worksheet. Enter -0- on line 11 of Form 8609-A	3	
4	Modified percentage. For each month during the tax year, figure the increase, if any, in the low-income portion of the building for that month over 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 Form 8609-A). For example, if the previous tax year's low-income portion of 0.5000 remained at 0.5000 for the first 9 months of this tax year and then increased to 0.7500 for October, November, and December, then subtract 0.5000 from 0.7500 to get an increase of 0.2500 for each month. Add these amounts together, divide by 12, and enter the result. (This amount must be shown as a decimal carried out to at least four places (for example, 0.2500 + 0.2500 + 0.2500 = 0.7500, divided by 12 = 0.0625.))	4	
5	Increased qualified basis entitled to reduced credit. Multiply line 4 above by Form 8609-A, line 1	5	
6	Increased qualified basis not entitled to reduced credit. Subtract line 5 above from line 3 above	6	
7	Line 11 modification. Multiply line 6 above by two-thirds of the amount on line 5 of Form 8609-A. Enter the result here and on line 11 of Form 8609-A	7	

federal grants in Step 1 by this percentage increase and divide this amount by the eligible basis on line 1 of this Form 8609-A. For example, if the percentage increase is 130% and all federal grants total \$11,000, multiply \$11,000 by 1.3000 and divide the result (\$14,300) by the eligible basis on line 1.

Step 2. Multiply the decimal amount determined in Step 1 by the credit on line 13. Enter this result on line 14.

Line 16. To determine the amount to enter on line 16, see the information that follows in (1), (2), (3), and [Special rules](#), later.

1. 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.

2. If the building is owned by more than one taxpayer, and those taxpayers are not members of a pass-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 Part II 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.

3. If a pass-through entity is completing Form 8609-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 upon the disposition of a building or interest therein because the taxpayer did not follow the procedures (described earlier under [Recapture and building dispositions](#)) to prevent recapture, no credit is allowed to the taxpayer for that percentage of the interest disposed of by the taxpayer. (However, see [De minimis recapture rule](#), later.) 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 273 days in a 365-day calendar tax year and 40% of the building for the remaining 92 days in the tax year (the taxpayer disposed of a 60% interest on the last day of September). If the taxpayer does not follow the procedures to prevent recapture, 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 later) 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 follows the procedures to prevent recapture, 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 the first 273 days in a 365-day calendar tax year and 40% of the building for the last 92 days of the year. After following procedures, the taxpayer's credit on line 16 would be based upon 273/365 of 100% (or 74.79%) of the line 15 credit for the building plus 92/365 of 40% (or 10.08%) of the line 15 credit amount.

If a taxpayer follows the procedures to prevent recapture upon the disposition of the building or upon a disposition of the

taxpayer's entire interest in the building, 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 on the last day of the fifth month of the tax year, C buys A's 60% interest in the building and A follows the procedures, 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 IRS has adopted a de minimis rule that applies to partners in partnerships (other than partnerships to which section 42(j)(5) (B) applies) 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 (in a situation where it was necessary to post bond to avoid or defer recapture) until the partner has disposed of more than 33¹/₃% 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.

Upon application by the building owner, the IRS may waive any recapture of the low-income housing credit for any de minimis error in complying with the minimum set-aside requirements.

Line 17. The first-year credit may have been reduced based on the number of full months the building was in service. The deferred balance of the credit for the first year is allowed in the 11th year. Include it on line 17 as a **positive** amount.

For example, see the example under [First-year modified percentage](#), earlier. If this is the 11th year, enter 0.8750 times the eligible basis of the building (line 1) times the credit percentage (line 5). The factor 0.8750 is 1.0000 minus 0.1250, the modified percentage figured for year 1 in the example.

Line 18. Report this amount on line 3 of Form 8586. For buildings placed in service after December 31, 2007, the credit is not limited by the alternative minimum tax rules.

Paperwork Reduction Act Notice. We ask for the information on these forms 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 burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is:

Recordkeeping	7 hr., 38 min.
Learning about the law or the form	1 hr., 47 min.
Preparing and sending the form to the IRS	1 hr., 59 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 Internal Revenue

Service at the address listed in the instructions for the tax return with which this form is filed.
