

Low-Income Housing Credit

▶ **Attach to your tax return.**

Identifying number

Part I Buildings Placed in Service Before January 1, 2008

1	Number of Forms 8609-A attached for buildings placed in service before January 1, 2008 ▶		
2	Has there been a decrease in the qualified basis of any buildings accounted for on line 1 since the close of the preceding tax year? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter the building identification numbers (BINs) of the buildings that had a decreased basis. If you need more space, attach a schedule. (i) (ii) (iii) (iv)		
3	Current year credit from attached Form(s) 8609-A for buildings placed in service before January 1, 2008 (see instructions)	3	
4	Part I low-income housing credit for buildings placed in service before January 1, 2008, from partnerships, S corporations, estates, and trusts	4	
5	Add lines 3 and 4. Estates and trusts, go to line 6; partnerships and S corporations, report this amount on Schedule K; all others, report this amount on Form 3800, line 1d	5	
6	Amount allocated to beneficiaries of the estate or trust (see instructions)	6	
7	Estates and trusts. Subtract line 6 from line 5. Report this amount on Form 3800, line 1d	7	

Part II Buildings Placed in Service After December 31, 2007

8	Number of Forms 8609-A attached for buildings placed in service after December 31, 2007 ▶		
9	Has there been a decrease in the qualified basis of any buildings accounted for on line 8 since the close of the preceding tax year? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter the building identification numbers (BINs) of the buildings that had a decreased basis. If you need more space, attach a schedule. (i) (ii) (iii) (iv)		
10	Current year credit from attached Form(s) 8609-A for buildings placed in service after December 31, 2007 (see instructions)	10	
11	Part II low-income housing credit for buildings placed in service after December 31, 2007, from partnerships, S corporations, estates, and trusts	11	
12	Add lines 10 and 11. Partnerships and S corporations, report this amount on Schedule K; all others, continue to line 13	12	
13	Low-income housing credit included on line 12 from passive activities (see instructions)	13	
14	Subtract line 13 from line 12	14	
15	Low-income housing credit allowed for 2008 from a passive activity (see instructions)	15	
16	Carryforward of low-income housing credit for 2007 fiscal-year filers (see instructions)	16	
17	Carryback of low-income housing credit from 2009 (see instructions)	17	
18	Add lines 14 through 17. Estates and trusts, go to line 19; all others, report this amount on Form 3800, line 29d	18	
19	Amount allocated to beneficiaries of the estate or trust (see instructions)	19	
20	Estates and trusts. Subtract line 19 from line 18. Report this amount on Form 3800, line 29d	20	

General Instructions

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

What's New

The portion of the low-income housing credit attributable to buildings placed in service after 2007 is not limited by tentative minimum tax and cannot be reported on page 1 of Form 3800. Part II was added to the form to figure this portion of the credit. Report any carryforward of the credit from 2007 to 2008 on Form 3800, line 6. Report any carryback of the credit from 2008 to 2007 on the 2007 Form 6478, Credit for Alcohol Used as Fuel, line 10, and enter "LIHC" to the left of the entry space.

In certain situations, it is possible to prevent the recapture of credits taken in previous years upon certain dispositions of the building or your interest therein. See *Recapture of Credit* below.

Purpose of Form

Use Form 8586 to claim the low-income housing credit. This general business credit is allowed for each new qualified low-income building placed in service after 1986. Generally, it is taken over a 10-year credit period.

Taxpayers that are not partnerships, S corporations, estates, or trusts, and whose only source of this credit is from buildings placed in service before 2008 from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on line **1d** of Form 3800.

Qualified Low-Income Housing Project

The credit cannot exceed the amount allocated to the building. See section 42(h)(1) for details.

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. For details, see the instructions for Form 8609, Part II, line 10c.

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 from the housing credit agency. No allocation is needed when 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. The owner still must get a Form 8609 from the appropriate housing credit agency (with the applicable items completed, including an assigned BIN). "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)).

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 the 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, **unless you follow the procedures to prevent recapture. See *Recapture and building disposition* in the Instructions for Form 8609-A, Annual Statement for Low-Income Housing Credit, for details.** If you must recapture credits, use Form 8611, Recapture of Low-Income Housing Credit. See section 42(j) for details.

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Recordkeeping

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

Specific Instructions

Line 2. 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.

1 hr., 55 min.

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.

Line 3. The credit for the year is figured on Form 8609-A for each building. Attach a copy of each Form 8609-A you completed for the tax year to Form 8586. Enter on line 3 the total credit from attached Form(s) 8609-A **for buildings placed in service before 2008.**

Line 6. Allocate the amount on line 5 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 6.

Line 9. 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.

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.

Line 10. The credit for the year is figured on Form 8609-A for each building. Attach a copy of each Form 8609-A you completed for the tax year to Form 8586. Enter on line 10 the total credit for attached Form(s) 8609-A for buildings placed in service after 2007.

Line 13. Enter the amount included on line 12 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, Passive Activity Credit Limitations (for individuals, estates, and trusts), or Form 8810, Corporate Passive Activity Losses and Credit Limitations (for corporations).

Line 15. Enter the passive activity low-income housing credit allowed for 2008 from Form 8582-CR or Form 8810.

Line 16. Enter any carryforward of the credit from 2007 to 2008 attributable to buildings placed in service after 2007. Enter any carryforward of the credit from 2007 to 2008 attributable to buildings placed in service before 2008 on Form 3800, line 6.

Line 17. Enter any carryback if you amend your 2008 return to carry back an unused low-income housing credit from 2009. Report any carryback of the credit from 2008 to 2007 on the 2007 Form 6478, Credit for Alcohol Used as Fuel, line 10, and enter "LIHC" to the left of the entry space.

Line 19. Allocate the amount on line 18 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 19.

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.

52 min.;

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, 5 hr., 44 min.; Learning about the law or the form, 1 hr., 37 min.; Preparing the form, 9 hr., 39 min.; Copying, assembling, and sending the form to the IRS, 32 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. See the instructions for the tax return with which this form is filed.

16