

Section 42(h)(1)(E) and (F) of the Code provide requirements that must be met for an allocation (commonly referred to as “carryover allocation”) of credit to a building or a project. Section 1.42-6(d) of the Income Tax Regulations provides the requirements for making a carryover allocation under § 42(h)(1)(E) or (F). Section 1.42-6(d)(1) provides that an allocation made under § 42(h)(1)(E) or (F) reduces the state housing credit ceiling for the year in which the allocation is made. Section 1.42-6(d)(2) provides that an allocation under § 42(h)(1)(E) or (F) is made when an allocation document containing the information in § 1.42-6(d)(2)(i) through (x) is completed, signed, and dated by an authorized official of the allocating agency. Thus, an allocation under § 42(h)(1)(E) or (F) is not considered made in a calendar year unless all the requirements for making an allocation are completed by the close of that calendar year.

The Service has learned that one state in the GO Zone has encountered administrative difficulties in making allocations from the Credit Cap for the 2006 calendar year. Specifically, allocations intended to be made from the 2006 Credit Cap that were otherwise complete by the close of 2006 were not signed and dated by an authorized official of the allocating agency until January, 2007. Given the unique nature of the problems in the GO Zone and the administrative complexities associated with the initial allocation of credits from the Credit Cap, the Service will consider carryover allocations intended to be made from the 2006 Credit Cap that satisfy § 1.42-6(d)(2)(i) through (x), but were signed and dated by January 31, 2007, as having been made by the close of the 2006 calendar year.

Any questions relating to this notice should be addressed to Christopher Wilson, Passthroughs and Special Industries, at (202) 622-3040.

/s/
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