Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information as a courtesy. **Do not file draft forms.** Also, do not rely on draft instructions and publications for filing. We generally do not release drafts of forms until we believe we have incorporated all changes. However, unexpected issues sometimes arise, or legislation is passed, necessitating a change to a draft form. In addition, forms generally are subject to OMB approval before they can be officially released. Drafts of instructions and publications usually have at least some changes before being officially released.

Early releases of draft forms and instructions are at IRS.gov/draftforms. Please note that drafts may remain on IRS.gov even after the final release is posted at IRS.gov/downloadforms, and thus may not be removed until there is a new draft for the subsequent revision. All information about all revisions of all forms, instructions, and publications is at IRS.gov/formspubs.

Almost every form and publication also has its own easily accessible information page on IRS.gov. For example, the Form 1040 page is at IRS.gov/form1040; the Form W-2 page is at IRS.gov/w2; the Publication 17 page is at IRS.gov/pub17; the Form W-4 page is at IRS.gov/w4; the Form 8863 page is at IRS.gov/form8863; and the Schedule A (Form 1040) page is at IRS.gov/schedulea. If typing in the links above instead of clicking on them: type the link into the address bar of your browser, not in a Search box; the text after the slash must be lowercase; and your browser may require the link to begin with “www.”. Note that these are shortcut links that will automatically go to the actual link for the page.

If you wish, you can submit comments about draft or final forms, instructions, or publications on the Comment on Tax Forms and Publications page on IRS.gov. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each one. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.

2016

Instructions for Form 8912

Credit to Holders of Tax Credit Bonds

Department of the Treasury
Internal Revenue Service

DRAFT AS OF September 29, 2016

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

Future Developments

For the latest information about developments related to Form 8912 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/form8912*.

General Instructions

Purpose of Form

Use Form 8912 to claim the credit for the following tax credit bonds.

- Clean renewable energy bond (CREB).
- New clean renewable energy bond (NCREB).
- Qualified energy conservation bond (QECB).
- Qualified zone academy bond (QZAB).
- Qualified school construction bond (QSCB).
- Build America bond (BAB).

Generally, in lieu of, or in addition to, receiving periodic interest payments from the issuer, the holder of the bond is allowed an income tax credit. The credit compensates the holder for lending money to the issuer and functions as interest paid on the bond. Build America bond holders receive taxable interest from the issuer in addition to being allowed an annual income tax credit.

Note. If the issuer of the bond makes an irrevocable election to have section 54AA(g) (for a qualified build America bond under section 54AA(g)(2)) or section 6431(f) (for a specified tax credit bond under section 6431(f)(3)(A)) apply to the bonds and receive a refundable credit under section 6431(a), no credit is allowed to the holder under sections 54AA or 54A, respectively, for that bond.

Who Can Claim the Credits

A taxpayer holding a CREB or qualified tax credit bond (a qualified tax credit bond doesn't include a QZAB issued before October 4, 2008) on one or more credit allowance dates can claim the credit by filing Form 8912 for each tax year in which it holds the bond on a credit allowance date.

Generally, the credit allowance dates are:

- March 15,
- June 15,
- September 15, and
- December 15.

The credit allowance date also includes the last day on which the qualified tax credit bond is outstanding.

Holders of QZABs issued before October 4, 2008. An eligible taxpayer holding a QZAB on the credit allowance date can claim the credit by filing Form 8912. To be an eligible taxpayer, the taxpayer must be a bank, insurance company, or other corporation actively engaged in the business of lending money. In addition, the shareholder of an S corporation may claim the credit from a QZAB held by an S corporation that is an eligible taxpayer. The credit allowance date is the last day of: (a) the 1-year period beginning on the date the bond was issued and (b) each successive 1-year period thereafter. See section 1397E (as in effect on October 3, 2008).

CAUTION *QZABs issued after October 3, 2008, are considered qualified tax credit bonds and the rules of sections 54A and 54E apply.*

Holders of BABs. A taxpayer holding a BAB on an interest payment date can claim the credit by filing Form 8912. An interest payment date is any date on which the bondholder of record is entitled to a payment of interest under the bond.

Definitions

CREB. A CREB is any bond issued after 2005 and before 2010 by a **qualified issuer**, the proceeds of which are used for capital expenditures incurred by a **qualified borrower** for a **qualified project**. In addition, the bond must be designated by the issuer as a CREB under section 54. An issuer can make such a designation only if it applied for and received a CREB allocation from the IRS.

A **qualified issuer** is either a:

- Cooperative electric company—a mutual or cooperative electric company described in section 501(c)(12) or section 1381(a)(2)(C), or a not-for-profit electric utility that has received a loan or loan guarantee under the Rural Electrification Act,
- Clean renewable energy bond lender—a lender that is a cooperative which is owned by, or has outstanding loans to, 100 or more cooperative electric companies and is in existence on February 1, 2002, including any affiliated entity which is controlled by such lender, or
- Governmental body—any state, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

A **qualified borrower** is a mutual or cooperative electric company described in section 501(c)(12) or section 1381(a)(2)(C), or a governmental body.

A **qualified project** is any qualified facility (as determined under section 45(d) without regard to paragraph (10) and to any placed-in-service date) owned by a qualified borrower.

Qualified tax credit bond. A qualified tax credit bond means a new clean renewable energy bond, qualified energy conservation bond, qualified zone academy bond (issued after October 3, 2008), or qualified school construction bond that is a part of an issue that meets the requirements of section 54A(d)(2), (3), (4), (5), and (6).

NCREB. An NCREB is any bond issued after October 3, 2008, by a **qualified issuer** as a new clean renewable energy bond and 100% of the available project proceeds are used for capital expenditures incurred by governmental bodies, public power providers, or cooperative electric companies for one or more **qualified renewable energy facilities.**

A **qualified issuer** is a public power provider, a cooperative electric company, a governmental body, a clean renewable energy bond lender, or a not-for-profit electric utility that has received a loan or loan guarantee under the Rural Electrification Act.

A **clean renewable energy bond lender** is a lender that is a cooperative that is owned by, or has outstanding loans to, 100 or more cooperative electric companies and is in existence on February 1, 2002, and includes any affiliated entity that is controlled by that lender.

A **cooperative electric company** is a mutual or cooperative electric company described in section 501(c)(12) or section 1381(a)(2)(C).

A **governmental body** is any state or Indian tribal government, or any political subdivision thereof.

A **public power provider** is a state utility with a service obligation, as defined in section 217 of the Federal Power Act (as in effect on October 3, 2008).

A **qualified renewable energy facility** is a qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) and to any placed-in-service date) owned by a public power provider, a governmental body, or a cooperative electric company.

DRAFT AS OF September 29, 2016

QECB. A QECB is any bond issued after October 3, 2008, by a state or local government as a qualified energy conservation bond and 100% of the available project proceeds are used for one or more qualified conservation purposes. See section 54D(f) for the definition of qualified conservation purposes.

QZAB. A QZAB is any bond issued by a state or local government as a qualified zone academy bond and 100% of the available project proceeds are used to improve certain eligible public schools (for QZABs issued before October 4, 2008, 95% or more of the proceeds are used to improve certain eligible public schools).

QSCB. A QSCB is any bond issued after February 17, 2009, by a state or local government as a qualified school construction bond and 100% of the available project proceeds are used for the construction, rehabilitation, or repair of a public school facility or for the acquisition of land on which the bond-financed facility is to be constructed.

BAB. A BAB is any bond (other than a private activity bond) issued after February 17, 2009, and before January 1, 2011, by an issuer who makes an irrevocable election to have the rules of section 54AA apply and, except for that election, the interest on the bond would have been excludable under section 103.

Specific Instructions

Separate entries and calculations are required for each bond with a different issuance date or a different credit rate.

Part I—Current Year Credit

TIP *Complete Part(s) III and IV before completing Part I and Part II. See the instructions for Parts III and IV for more information.*

Line 1

Enter the total from Part III, line 14. This amount is the total bond credits reported to you on Form(s) 1097-BTC.

Line 2

Enter the amount from Part IV, line 20. This amount is the total bond credits from bonds held by you or your nominee(s) and not reported to you on Form(s) 1097-BTC. This amount may also include bond credits reported to you from a pass-through entity (partnership, S corporation, estate, trust, regulated investment company, and real estate investment trust) that weren't reported to you on Form(s) 1097-BTC.

Note. You may receive Form(s) 1097-BTC from a pass-through entity reporting your share of bond tax credits. The entity may also report your share of bond tax credits on a form/schedule/statement other than the Form(s) 1097-BTC. In such a case, don't double-count amounts reported to you. Include any amount reported to you on Form(s) 1097-BTC from a pass-through entity on line 13, and not on line 18. For example, if you own an interest in a partnership, and the partnership reports your share of bond tax credits earned by the partnership on a Schedule K-1 (Form 1065) as well as on a Form 1097-BTC, don't double-count these amounts. Include the amount reported to you on Form 1097-BTC by the partnership in Part III, line 13, and not in Part IV, line 18.

Line 3

Enter the amount of the credit carryforward (from prior years) that is attributable to a qualified tax credit bond or a BAB. Credits attributable to a CREB, or a QZAB issued before October 4, 2008, can't be carried forward.

Line 5

Estates and trusts must allocate any CREB credit on line 4 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 5.

Part II—Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit.

Line 10b

Enter the total allowable credit, if any, from your tax return as follows.

Individuals. Enter the amount from Form 1040, lines 49 through 54 (Form 1040NR, lines 47 through 51). Don't include any general business credit claimed on Form 3800, or any prior year minimum tax.

Estates and trusts. Enter the total of any write-in credits from Form 1041, Schedule G, line 2e.

Corporations. Enter the amount from Form 1120, Schedule J, line 5b (or the applicable line of your return).

Line 10c

If you are filing Form 3800, General Business Credit, enter the credit from Form 3800.

Line 12

If you don't have an entry space for these credits on your tax return, include the allowable credit on the “Total credits” line with the applicable notation (for example, “CREB” or “QECB”).

Holders of a CREB, or a QZAB issued before October 4, 2008. If you can't use all of the credit from Part I because of the tax liability limit (for example, line 12 is smaller than line 4), you can deduct the unused credit for the current tax year. However, you can choose to deduct the unused credit in the next tax year instead of the current tax year.

Because a current year deduction may further reduce the tax liability limit, you may need to refigure the tax liability limit and the unallowed credit. Refigure the unallowed credit until it equals the deduction. It may be necessary to use the “trial and error” method.

Holders of a qualified tax credit bond or a BAB. If you can't use all of the credit from Part I (for example, line 12 is smaller than line 4), you may carry the unused portion of the credit to the next tax year and add it to any credit allowable to the holder of the same bond in the next tax year. A holder of a qualified tax credit bond or BAB can't deduct any unused credit.

Limitation on credit from pass-through entities. For a CREB held by a pass-through entity, the credit included in line 1 (for a credit received from a pass-through entity that issued a

Form 1097-BTC) and line 2 (for a credit received from a pass-through entity that didn't issue a Form 1097-BTC) is limited to the amount of tax attributable to your taxable income from your interest in the pass-through entity distributing the credit. Figure the credit limitation separately for each interest in a pass-through entity using the following limitation formula.

$$\text{Line 11} \times \frac{\text{Taxable income for the year attributable to your interest in the pass-through entity}}{\text{Taxable income for the year}}$$

DRAFT AS OF September 16, 2016

If in the current tax year you had no taxable income attributable to a particular interest in a pass-through entity, you can't claim any CREB credit this tax year for that interest.

All taxpayers (other than estates and trusts). For line 12, add the line 1 and line 2 credits separately figured for each interest in a pass-through entity (as limited by the formula above for each such interest) to the total credit on line 4 not attributable to that pass-through entity. Enter on line 12 the smaller of this result or the amount on line 11. This limitation only applies to a CREB credit received from a pass-through entity.

Estates and trusts. For line 12, add the line 1 and line 2 credits separately figured for each interest in a pass-through entity (as limited by the formula above for each such interest) to the total credit on line 6 not attributable to that pass-through entity. Enter on line 12 the smaller of this result or the amount on line 11. This limitation only applies to a CREB credit received from a pass-through entity.

Part III—Bond credit(s) reported to you on Form(s) 1097-BTC

Part III is used to list and total credits that are reported to you on Form(s) 1097-BTC. Complete and attach as many copies of Part III as needed to list the credits you are reporting for the current tax year. Don't include credit amounts previously claimed on any of your returns. If multiple copies of Part III are completed, enter the total of all Parts III, lines 14, on Part I, line 1.

Line 13, Column (b1)

Enter the Form 1097-BTC issuer's federal identification number shown on Form 1097-BTC.

Line 13, Column (b2)

Enter the unique identifier shown in box 2b of Form 1097-BTC.

Line 13, Column (c)

Enter the amount shown in box 1 of any Form 1097-BTC you receive.

CAUTION *If you receive Form(s) 1097-BTC from any pass-through entity reporting your share of bond credits, report the credit on Part III, line 13.*

Note. Fiscal year filers should use information from applicable boxes 5a through 5l, Form 1097-BTC, to claim the credit for their fiscal tax year.

Line 14

Add the amounts listed on line 13, column (c) and enter the total on line 14. If you complete and attach one copy of Part III, enter the amount from line 14 on line 1. If you complete and attach multiple copies of Part III, add the amounts entered for all lines 14 and enter the total on line 1.

CAUTION *For a **new** clean renewable energy bond or a qualified energy conservation bond, the credit is limited to 70% (0.70) of the total credit figured for the tax year. The amount reported in boxes 5a-5l of Form 1097-BTC and that is included in line 14 shouldn't exceed 70% of the credit figured under section 54A(b) for these bonds.*

Part IV—Bond credits from bonds held by you and/or your nominee not reported to you on Form 1097-BTC

Complete and attach a Part IV for each bond you held or bond credits received from a pass-through entity that weren't reported to you on Form(s) 1097-BTC. Complete and attach as many copies of Part IV as you need to claim the credit(s) for each bond you held directly or through a nominee and for which you didn't receive a Form 1097-BTC. Also, complete a separate Part IV for each bond credit passed through to you from a pass-through entity for which a Form 1097-BTC wasn't issued. If multiple copies of Part IV are completed, enter the total of all Parts IV, lines 20, on Part I, line 2.

Note. If you are reporting a bond credit received from a pass-through entity, complete lines 15a and 15b and enter the credit amount on line 18, column (f).

Line 15a

Enter the bond issuer's name and address. If the credit was received from a pass-through entity, enter the name of the entity distributing the bond credit.

Line 15b

Enter the bond issuer's employer identification number. If the credit was received from a pass-through entity, enter the employer identification number of the pass-through entity distributing the credit.

Line 17

If the bond was redeemed, sold, or otherwise disposed of, enter the date.

Line 18, Column (a)

Enter the CUSIP number of the bond. If there is no CUSIP number, enter the principal payment dates of the bond. For CREBs, enter the CUSIP number and principal payment dates. For BABs, enter the CUSIP number and interest payment dates.

Line 18, Column (b)

Enter the face amount of the CREB, qualified tax credit bond, or QZAB (issued before October 4, 2008) minus any payment of principal received. For a BAB, enter the amount of interest payable.

Line 18, Column (c)

The credit rate for the CREB, qualified tax credit bond, and QZAB (issued before October 4, 2008) is the rate published on the Treasury Direct website under “IRS Tax Credit Bond Rates” at www.treasurydirect.gov/govt/rates/rates_irstcb.htm for the first day on which there is a binding contract in writing for the sale or exchange of the bond.

The credit rate for QZABs issued before July 1, 1999, is 110% of the long-term applicable federal rate (AFR), compounded annually, for the month and year the bond is

issued. The IRS announces the long-term AFR monthly in a series of revenue rulings published in the Internal Revenue Bulletin.

The credit rate for a BAB is 35%.

Line 18, Column (e)

Generally, enter 25% for each credit allowance date you hold a CREB, or qualified tax credit bond during your tax year. Enter 100% for a BAB, or a QZAB issued before October 4, 2008.

Example. Your tax year begins December 1, 2016, and ends November 30, 2017. You purchased a QECB on March 15, 2017, the issue date of the bond, and held it through the end of the tax year ending November 30, 2017. You would enter 50% computed by including the day after the bond was issued as the first day on which the credit accrues, as follows.

Credit allowance date	%
June 15, 2017	25
September 15, 2017	25
	50

However, the 25% will be prorated if a CREB or qualified tax credit bond is issued, redeemed, or matures during the 3-month period ending on a credit allowance date with respect to which you are claiming the credit. The percentage of credit allowed for that credit allowance date is prorated for the number of days the bond was outstanding during the 3-month period.

Example. Your tax year begins December 1, 2016, and ends November 30, 2017. You purchased a QECB on March 23, 2017, the issue date of the bond. Since the bond wasn't held for the entire 3-month period ending on June 15, 2017, the prorated portion of the 25% is figured by dividing (a) the number of days the bond was outstanding beginning on the day after the date the bond was issued and ending on the next credit allowance date by (b) the number of days included in the 3-month period beginning on the day after the credit allowance date and ending on the next credit allowance date. See below.

$$\frac{\text{84 days (number of days from March 24 through June 15)}}{\text{92 days (number of days from March 16 through June 15)}} = .913 \times 25\% = 23\%$$

You would enter 48% computed as follows.

Credit allowance date	%
June 15, 2017	23
September 15, 2017	25
	48

Generally, for bonds issued during the 3-month period ending on a credit allowance date, the sum of the prorated credit amounts for the first credit allowance date and the last credit allowance date should equal 25% of the annual credit allowance.

Line 18, Column (f)

This amount is the income tax credit to the holder of a tax credit bond. If the bond credit is from a pass-through entity, enter the amount of the credit in column (f). You must complete lines 15a and 15b.

Line 20

Bond credit. Enter the total amounts from all Parts IV, lines 20, on Part I, line 2.

Interest income. The current year credit on line 4 (or for estates and trusts, line 6) is deemed to be a payment of qualified stated interest (as defined in Regulations section 1.1273-1(c)) and as such is treated as taxable interest income paid on the credit allowance date, or for BABs, the interest payment date. If the holder is on the accrual method, the holder must accrue the credit amount as taxable interest income on the credit allowance date or interest payment date.

If a holder of a tax credit bond sells the bond between credit allowance dates (or for BABs, interest payment dates), part of the sales price is treated as accrued interest to the date of the sale and must be reported as interest income. If a holder purchases a bond between credit allowance dates or interest payment dates, the interest accrued as of the date of the purchase (as reflected in the purchase price) isn't included as interest when the purchaser receives the value of the credit (and the deemed payment of interest) on the next credit allowance date or interest payment date. Instead, the payment of the deemed interest is treated as a return of capital to the extent of the accrued interest at the time of purchase and reduces the holder's basis in the bond.

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 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 business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for the business tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	9 hr., 34 min.
Learning about the law or the form	1 hr., 59 min.
Preparing and sending the form to the IRS	2 hr., 13 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.

DRAFT
September 13, 2016