

Name(s) shown on return

Identifying number

Part I Current Year Credit (see instructions)

Table with 7 rows for Part I. Row 1: Number of Forms 8609 attached. Row 2: Eligible basis of buildings. Row 3a: Qualified basis of low-income buildings. Row 4: Current year credit from attached Schedules A. Row 5: Low-income housing credits from pass-through entities. Row 6: Add lines 4 and 5. Row 7: Current year credit or passive activity credit.

Part II Allowable Credit

Table with 18 rows for Part II. Row 8: Regular tax before credits. Row 9: Alternative minimum tax. Row 10: Add lines 8 and 9. Rows 11a-11l: Various tax credits. Row 11m: Add lines 11a through 11l. Row 12: Net income tax. Row 13: Net regular tax. Row 14: Enter 25% of the excess. Row 15: Tentative minimum tax. Row 16: Enter the greater of line 14 or line 15. Row 17: Subtract line 16 from line 12. Row 18: Low-income housing credit allowed for the current year.

## General Instructions

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

### 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 and is taken over a 10-year credit period. The present value of the 10 annual credit amounts equals 70% of the building's qualified basis (30% for certain federally subsidized new buildings or existing buildings). 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 succeeding tax year by checking the "Yes" box in Part II, line 10a, of **Form 8609**, Low-Income Housing Credit Allocation Certification.

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

Complete Part I to figure the credit to pass through to the shareholders, partners, 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. An electing large partnership treats the part of the credit attributable to property placed in service before 1990 as a "rehabilitation credit" when reporting the credit to its partners.

### 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)). 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. Generally, the allocation must be received by the close of the calendar year the building is placed in service. In addition, the credit cannot exceed the amount allocated to the building by the housing credit agency. See section 42(h)(1) for details. No allocation is 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 basis of the 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 housing 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 tax year during the 15-year compliance period, **unless** a credit is not being claimed because the entire credit has been claimed in prior tax years **and** the qualified basis of the building has not decreased for this

tax year. 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 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. 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, Schedules A (Form 8609), and Form 8611 for 3 years after the 15-year compliance period ends.

### Specific Instructions

**Note:** For credits from a pass-through entity (i.e., S corporation, partnership, estate, or trust), you do not have to obtain, complete, or attach Form 8609 or Schedule A (Form 8609). If all your credits are from pass-through entities, skip lines 1 through 4.

**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 of Form 8609), attach a schedule listing for each project: (a) the name and address of the project and each building in the project, (b) the building identification number (BIN) of each building, (c) the aggregate credit dollar amount for the project, and (d) the credit allocated to each building.

**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 Forms 8609 and Schedules 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 pass-through entity with a line 4 credit attributable to more than one building, attach a schedule to Form 8586 that shows each shareholder's, partner's, or beneficiary's name, identifying number, and share of the line 4 credit and the BIN for each building.

**Line 5.** If you have a credit from a pass-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 pass-through entity, attach a statement that shows the EIN and credit amount for each entity. Enter the total credit on line 5.

**Line 6.** The credit allowed for the current year may be limited based on your tax liability. Complete line 7 and Part II to figure the allowable credit unless you must file **Form 3800**, General Business Credit. You must file Form 3800 if you have more than one credit included in the general business credit (other than a credit from Form 8844 or 8884) or a carryback or carryforward of any of those credits. See the instructions for Form 3800 for a list of credits included in the general business credit.

**Line 7.** The credit on line 6 may be subject to the passive activity credit limitation. Individuals, estates, and trusts figure the limit on **Form 8582-CR**, Passive Activity Credit Limitations, and closely held corporations figure the limit on **Form 8810**, Corporate Passive Activity Loss and Credit Limitations. If this limitation applies, enter the allowable credit from Form 8582-CR or 8810 on line 7. If line 7 is zero, skip Part II. If you are not subject to the passive activity limitation, enter on line 7 the amount from line 6.

**Line 14.** See section 38(c)(4) 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 15.** Although you may not owe alternative minimum tax (AMT), you generally must still compute the tentative minimum tax (TMT) to figure your credit. For a small corporation exempt from the AMT under section 55(e), enter zero. Otherwise, complete **and** attach the applicable AMT form or schedule. Enter on line 15 the TMT from the line shown below.

- Individuals: Form 6251, line 33.
- Corporations: Form 4626, line 13.
- Estates and trusts: Form 1041, Schedule I, line 54.

**Line 18.** If you cannot use part or all of your credit because of the tax liability limit (line 17 is smaller than line 7), carry the excess credit back 1 year and then forward up to 20 years. See the instructions for Form 3800 for details.

**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**, 7 hr., 53 min.; **Learning about the law or the form**, 1 hr., 37 min.; **Preparing the form**, 3 hr., 41 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.

