

**Low-Income Housing Credit
 Allocation Certification**
 ▶ To be attached to return of building owner
 with Form 8586 (Do not file separately)

OMB No. 1545-0988
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Attachment
 Sequence No. **36**

Part I Allocation of Credit—To Be Completed by Housing Credit Agency Addition to Qualified Basis Amended Form

A Address of building (do not use P. O. box)	B Name and address of housing credit agency
C Name and address of building owner receiving allocation	D Taxpayer identification number of agency E Building identification number (BIN)

1a Date of allocation ▶/...../.....	b Housing credit dollar amount allocated	1b	
2 Maximum applicable credit percentage allocated		2	%
3 Maximum qualified basis		3	
4 Percentage of the aggregate basis financed by tax-exempt bonds		4	%

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined Part I of this form and to the best of my knowledge and belief, the information is true, correct, and complete.

-----▶ Signature of authorized official Name (please type or print) Date

Part II First-Year Certification—To Be Completed by Building Owner for First Year of Credit Period Only

1a Date building placed in service ▶/...../.....	b Eligible basis of building (see instructions)	1b	
2a Original qualified basis of the building at close of first year of credit period		2a	
b Is the building part of a multiple building project? <input type="checkbox"/> Yes <input type="checkbox"/> No			
3 Check the box that describes the allocation for the building (check one only):			
a <input type="checkbox"/> Newly constructed and Federally subsidized b <input type="checkbox"/> Newly constructed and not Federally subsidized c <input type="checkbox"/> Existing building d <input type="checkbox"/> Sec. 42(e) rehabilitation expenditures Federally subsidized e <input type="checkbox"/> Sec. 42(e) rehabilitation expenditures not Federally subsidized			
4a If box 3a or box 3d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)? <input type="checkbox"/> Yes <input type="checkbox"/> No			
b Do you elect to reduce eligible basis by disproportionate costs of non-low-income units (section 42(d)(3))? <input type="checkbox"/> Yes <input type="checkbox"/> No			
5 Check the appropriate box for each election:			
a Elect to begin credit period the first year after the building is placed in service (section 42 (f)(1)) <input type="checkbox"/> Yes <input type="checkbox"/> No			
b Elect not to treat large partnership as taxpayer (section 42(j)(5)) <input type="checkbox"/> Yes			
c Elect minimum set-aside requirement (section 42(g)) (see instructions) <input type="checkbox"/> 15-40 <input type="checkbox"/> 20-50 <input type="checkbox"/> 40-60 <input type="checkbox"/> 25-60 (N.Y.C. only)			

Note: A separate **Schedule A (Form 8609)**, Annual Statement, must be attached to Form 8609 for each year of the 15-year compliance period after 1987.

Caution: Read the instructions under "Signature" (page 3) before signing this part.

Under penalties of perjury, I declare that: (1) the above building continues to qualify as a part of a qualified low-income housing project and meets the requirements of Internal Revenue Code section 42(g), (2) the qualified basis of the building has /has not decreased for this tax year, and (3) I am not claiming any relief from the passive loss rules of section 502 of the Tax Reform Act of 1986 for this property. I have examined this form and accompanying schedules, and to the best of my knowledge and belief, it is true, correct, and complete.

-----▶ Signature Taxpayer identification number Date
 -----▶ Name (please type or print)

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file the following forms will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing and sending the form to IRS
8609	7 hrs., 25 min.	1 hr., 59 min.	2 hrs., 11 min.
Sch. A (8609)	3 hrs., 21 min.	42 min.	47 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to the Internal Revenue Service or the Office of Management and Budget at the addresses listed in the instructions for the tax return with which this form is filed.

General Instructions

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

Purpose of Form.—Sections 38 and 42 allow owners of residential low-income rental buildings to claim a low-income housing credit for each qualified building over a 10-year credit period. Form 8609 is used to obtain a housing credit allocation from the housing credit agency. Form 8609 and related Schedule A (Form 8609), Annual Statement, are also used to certify certain necessary information under section 42.

Section 502(a) of the Tax Reform Act of 1986 provides transitional relief from the passive loss rules for qualified investors in a qualified low-income housing project. However, if any person has been allowed any benefit under section 502(a) for the project, the low-income housing credit is not allowed for the project.

Housing Credit Agency.—“Housing Credit Agency” means any state or local agency authorized under section 42 to make low-income housing credit allocations within its jurisdiction.

Owner of Building.—Owners must complete Part II of this form and a separate Schedule A (Form 8609), even if an allocation of credit by a housing credit agency is not required, and attach both the form and the schedule to their income tax return. If an allocation is not required, the owner should enter in Part I the address of the building and the name and address of the building owner, and complete Part I, line 4. Once completed, the form must be sent to the housing credit agency so a BIN can be assigned to the building. See specific instructions before completing these parts.

Building Identification Number (BIN).—This number will be assigned by the housing credit agency when a credit allocation is made. Some buildings may have received an allocation before the numbering system was in place. In that case, a number will be assigned to each building retroactively. If this is the case with a building you own, begin associating a number with the building when a number is assigned.

If the building did not require an allocation from the housing credit agency because it was 70% or more financed by certain tax-exempt bonds, you will still need to obtain a BIN from the agency. See **Owner of Building**, above.

Rehabilitation expenditures treated as a separate new building under section 42(e) should not have a separate BIN if the building already has one. Use the number assigned to the building.

Allocation of Credit.—In order for an owner to claim a low-income housing credit on a building, the housing credit agency must make an allocation of the credit by the close of the calendar year in which the building is placed in service, unless—

- the allocation is the result of an advance binding commitment by the credit agency made not later than the close of the calendar year in which the building is placed in service (see section 42(h)(1)(C));
- the allocation relates to an increase in qualified basis (see section 42(h)(1)(D)); or
- the allocation relates to a carryover of post-1987 low-income housing credit dollar amounts (see section 42(h)(1)(E) and Notice 89-1, I.R.B. 1989-2, dated January 9, 1989).

The agency can only make an allocation to a building located within its geographical jurisdiction. Once an allocation is made, it is good for the first tax year the credit is allowable and for all future years during the 10-year credit period. A separate Form 8609 must be completed for each building to which an allocation of credit is made.

Tax-Exempt Bonds.—No housing credit allocation is required for any portion of the eligible basis of a qualified low-income building that is financed with tax-exempt bonds taken into account for purposes of the volume cap under section 146. No allocation at all is required to claim the credit if 70 percent or more of the aggregate basis of the building and the land on which the building is located is financed with such tax-exempt bonds and the building is placed in service by December 31, 1989. However, if a building is 70% or more financed with certain tax-exempt bonds and the building is to be placed in service after December 31, 1989, such building must receive an allocation of credit pursuant to section 42(h)(1)(E) before the housing credit agency's authority to allocate credit expires. “Aggregate basis” means the sum of the eligible basis of the qualified low-income building and land on which the building is located. “Land on which the building is located” includes only land that is functionally related and subordinate to the qualified low-income building (see

Regulations section 1.103-8(b)(4)(iii) for the meaning of “functionally related and subordinate”).

When To File.—Housing credit agencies should forward a copy of Form 8609 (Part I completed only) with instructions to the owner of the building. The housing credit agency must retain the original to send to the IRS with its annual report, **Form 8610**, Annual Low-Income Housing Credit Agencies Report.

Owners must attach completed Forms 8609 and accompanying Schedules A (Form 8609) to **Form 8586**, Low-Income Housing Credit, and file these forms with their income tax return by the due date of the return. (Do not attach Form 8609 or Schedule A (Form 8609) to Form 8586 if the credit claimed on Form 8586 is a flow-through credit from a partnership, S corporation, estate or trust because that entity will complete those forms and attach them to its return.)

Recordkeeping Requirements.—To verify changes in qualified basis from year to year you must keep a copy of this Form 8609 together with all accompanying Schedule(s) A, Forms 8586, 8611, and 8693 for three years after the fifteen-year compliance period ends (unless this recordkeeping requirement is otherwise extended).

Specific Instructions

Part I—Allocation of Credit

Completed by Housing Credit Agency

Check the “Addition to Qualified Basis” box if an allocation relates to an increase in qualified basis under section 42(f)(3).

Line 1a.—Generally, the date of allocation is the date the Form 8609 is issued.

However, if an allocation is made pursuant to section 42(h)(1)(E), the date of allocation is the date specified in the document used by the housing credit agency to make the allocation.

Line 1b.—Enter the housing credit dollar amount allocated to the building for each year of the 10-year credit period. If there is a change in the amount of initial allocation before the close of the calendar year, file an amended Form 8609 to be used in place of the original form and check the Amended Form box at the top of Form 8609.

Line 2.—Enter the maximum applicable credit percentage allocated to the building for the month the building was placed in service or, if applicable, for the month determined under section 42(b)(2)(A)(ii).

If an election is made under section 42(b)(2)(A)(ii) to use the applicable percentage for a month other than the month in which a building is placed in service, the requirements set forth in Notice 89-1 must be met. The agency must retain a copy of the binding agreement and the election statement and file the original with the agency's Form 8610 for the year the allocation is actually made. The maximum applicable credit percentage is published monthly by the IRS in the revenue ruling that deals with applicable Federal interest rates. For new buildings that are not federally subsidized under section 42(i)(2)(A) when placed in service, use the applicable percentage for the 70% present value credit; for new buildings that are federal subsidized when placed in service, or existing buildings,

use the applicable percentage for the 30% present value credit. A taxpayer may elect under section 42(i)(2)(B) to reduce eligible basis by the principal amount of any outstanding below-market federal loan or the proceeds of any tax-exempt obligation in order to obtain the higher credit percentage (see Part II, line 4a).

For allocations to buildings covering an addition to qualified basis, do not reduce the maximum applicable credit percentage even though the building owner may only claim a credit based on 2/3 of the credit percentage allocated to the building.

Line 3.—Enter the maximum qualified basis of the building. To figure this, multiply the eligible basis of the qualified low-income building by the lesser of:

(1) the percentage of low-income units to all residential rental units (the “unit percentage”), or

(2) the percentage of floor space of the low-income units to the floor space of all residential rental units (the “floor-space percentage”).

The **eligible basis** for new buildings is generally the cost of construction. For existing buildings, the eligible basis is the acquisition cost plus capital improvements (see the instructions for Part II, line 1b, and section 42(d)).

Line 4.—Enter the percentage of the aggregate basis of the building financed by certain tax-exempt bonds. If this amount is zero, enter zero (do not leave this line blank).

Part II—First-Year Certification

Completed by Building Owner for the First Year of Credit Period Only

Line 1a.—For purposes of section 42, the placed in service date for a residential rental building is the date on which the first unit in the building is ready and available for occupancy in accordance with state or local law. Rehabilitation expenditures treated as a separate new building under section 42(e)(4)(A) are placed in service at the close of any 24-month period over which such expenditures are aggregated, whether or not the building is occupied during the rehabilitation period.

Line 1b.—Enter the eligible basis (in dollar terms) of the building, figured as of the date the building is placed in service. In cases where a building is placed in service in portions, determine eligible basis at the close of the first year of the credit period (see sections 42(f)(1) and 42(g)(3)(B)(iii) for determining the start of the credit period).

You may elect to reduce eligible basis by the principal amount of any outstanding below-market federal loan or the proceeds of any tax-exempt obligation to obtain a higher credit percentage. If you make this election, check the “Yes” box in Part II, line 4a, and reduce eligible basis by the principal amount of such loan or obligation proceeds before entering the amount on line 1b. In addition, you must reduce the eligible basis by the amount of any Federal grant received.

Eligible basis must also be reduced by the entire basis allocable to non-low-income units that are above the average quality standard of the low-income units in the building. You may, however, include a

portion of the basis of these non-low-income units if the cost of any of these units: (1) does not exceed by more than 15% the average cost of all low-income units in the building, and (2) you elect by checking the “Yes” box for line 4b to exclude this excess cost from eligible basis.

Finally, eligible basis may not include any portion of a building’s adjusted basis for which an election is made under section 167(k).

Line 2a.—Multiply the eligible basis of the building shown on line 1b by the lesser of the unit percentage or the floor space percentage as of the close of the first year of the credit period. See the instructions for Part I, line 3, above.

Line 2b.—Check the appropriate box in line 2b to indicate whether or not the building for which basis is entered on line 2a is part of a multiple building project. A multiple building project is a project that includes more than one qualified low-income building that must: (1) be located on the same tract of land, (2) be owned by the same person for Federal income tax purposes, (3) be financed pursuant to a common plan of financing, and (4) have similarly constructed housing units. A qualified low-income building includes residential rental property that is either an apartment building, a single family dwelling, a townhouse, a rowhouse, a duplex, or a condominium. Taxpayers electing under section 42(g)(3)(B) to aggregate buildings to satisfy the minimum set-aside requirement elected for the project under section 42(g)(1) must check the Yes box.

Line 3.—A new building is treated as Federally subsidized for any tax year if at any time during the tax year or any prior tax year there is or was outstanding any tax-exempt bond financing or any below market Federal loan, the proceeds of which are or were used (directly or indirectly) for the building or its operation.

Line 4a.—Section 42(i)(2)(B) allows an owner to elect to reduce the eligible basis by the principal amount of any outstanding below-market federal loan or the proceeds of any tax-exempt obligation and claim the 70-percent present value credit on the remaining eligible basis. However, if such an election is made, the taxpayer may not claim the 30-percent present value credit on the portion of the basis that was financed with the below-market Federal loan or the tax-exempt obligation.

Line 4b.—See the instructions for Part II, line 1b, above.

Line 5.—

(a) Section 42(f)(1) allows an owner of a building to elect to begin the credit period in the tax year after the building is placed in service.

Note: Section 42(g)(3)(B)(iii) provides special rules for determining the start of the credit period for certain multiple building projects.

(b) Section 42(j)(5) as amended by the Technical and Miscellaneous Revenue Act of 1988, requires partnerships with 35 or more partners to be treated as the taxpayer for purposes of recapture unless an election is made not to treat the partnership as the taxpayer. Check the “Yes” box if you do not want the partnership to be treated as the taxpayer for purposes of recapture.

(c) The owner of a qualified low-income housing project must meet the requirements under section 42(g) by electing one of the following tests: (1) 15-40 Test: 15 percent or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 40 percent or less of the area median gross income (see also section 142(d)(4)(B)), (2) 20-50 Test: 20 percent or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 50 percent or less of the area median gross income, or (3) 40-60 Test: 40 percent or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 60 percent or less of the area median gross income.

Check the appropriate box for the test you wish to elect.

Note: Owners of buildings in projects located in New York City may not use the 40-60 test. Instead, they may use a 25-60 test: 25 percent or more of the residential units in the project must be both rent restricted and occupied by individuals whose income is 60 percent or less of the area median gross income (see also section 142(d)(6)).

Once made, the elections under sections 42(f)(1), 42(j)(5), and 42(g) are irrevocable.

Signature.—Form 8609 must be attached to your income tax return each year during the compliance period beginning with the first year the credit is claimed. Because Form 8609 requires an original signature each year and the form is not issued annually by the housing credit agency, complete the following steps after you receive the form from the agency:

(1) Complete Part II of the form (do not sign it).

(2) After completing Part II, make a copy of the form.

(3) **SIGN THE COPY**, and keep the original copy you receive from the housing credit agency so that copies can be made from the unsigned original copy and used for filing with your future years’ income tax returns.

(4) Complete separate Schedule A (Form 8609) for each building and attach it to the signed copy of Form 8609 which you attach to your income tax return. See the instructions for Schedule A for details on completing Schedule A. You can get Schedule A from most I.R.S. offices.

(5) If the maximum applicable credit percentage allocated to the building in Part I, line 2, reflects an election made under section 42(b)(2)(A)(ii), the taxpayer must attach a copy of the election statement and, if the binding agreement specifying the housing credit dollar amount is contained in a separate document, a copy of the binding agreement to Form 8609 for the first tax year in which the credit is claimed. (See Notice 89-1.)

(6) If the housing credit dollar amount allocated in Part I, line 1b, reflects an allocation made pursuant to section 42(h)(1)(E), the taxpayer must attach a copy of the allocation document to Form 8609 for the first tax year in which the credit is claimed. (See Notice 89-1.)