

# Recapture of Low-Income Housing Credit

▶ Attach to your income tax return.

Name(s) as shown on return

Identifying number

Building	Address of Building (as shown on Form 8609)	Date placed in Service (from Form 8609)
A		
B		

	Building		Total
	A	B	
1 Total credit(s) claimed by you in previous year . . . . .	1		
2 Credit recapture percentage . . . . .	2	.333	
3 Accelerated portion of credit (multiply line 1 by line 2) . . . . .	3		
4 Percentage decrease in qualified basis from previous year . . . . .	4		
5 Amount of accelerated portion recaptured (multiply line 3 by line 4)	5		
6 Interest . . . . .	6		
7 Credit recapture amount (add lines 5 and 6) . . . . .	7		

**Caution:** This form does not accommodate certain recapture events in the third year of the credit period. A revised form will be available in early 1989.

**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.

**Purpose of Form.**—Use this form if you must recapture part of the low-income housing credit you took in the previous year because there is a decrease in the qualified basis of a building from one year to the next or because you disposed of the building or an ownership interest in it without posting satisfactory bond (see section 42(j)(6) and Form 8693, Low-Income Housing Credit Disposition Bond, for details).

**Note:** If the decrease in qualified basis is because of a change in the amount you are financially at-risk on the building, then you must first recalculate the amount of credit taken in prior years pursuant to section 42(k) before you calculate the recapture amount on this form.

**Recordkeeping Requirements.**—To verify changes in qualified basis from year to year you must keep a copy of this Form 8611 together with all Forms 8586, 8609, and 8693 for three years after the fifteen-year compliance period ends.

## General Instructions

(Section references are to the Internal Revenue Code.)

To complete this form you will need copies of any Form 8586, Low-Income Housing Credit, Form 8609, Low-Income Housing Credit Allocation Certification, and Form 8611 that you have filed.

Recapture may be necessary if:

- you dispose of a building or an ownership interest in it;
- there is a decrease in the qualified basis of the building from one year to the next;

- the building no longer meets the minimum set-aside requirements of section 42(g)(1), the gross rent requirement of section 42(g)(2), or the other requirements for the units comprising the set-aside.

Recapture is *not necessary* in the following cases:

- There is no recapture on the disposition of a building or an ownership interest in it if you post a bond. See section 42(j)(6) and Form 8693 for details;
- There is no recapture of credits claimed on additions to qualified basis in years after the year the building was placed in service;
- There is no recapture if you correct a noncompliance within a reasonable period after it is discovered or should have been discovered. (However, if any vacant unit of comparable or smaller size to the low-income units is rented to other than a low-income tenant (on other than a temporary basis) during any period when the project does not comply with the set-aside requirement or with the qualified basis amounts on which the credit was originally computed, then there will be recapture.);
- There is no recapture of a credit which did not reduce tax liability. In such cases, the allowable carryback and carryforward of the credit under section 39 must be adjusted;
- There is also no recapture if the basis is reduced because of a casualty loss, provided the property is restored or replaced within a reasonable period.

## Specific Instructions

**Lines 1 through 7.**—If you have recapture from more than two buildings, attach a schedule and enter the totals in the third column.

**Line 1.**— Enter the total amount of the credit claimed on the building for all prior years. See Part I of the Form(s) 8586 you have filed. (On the 1987 Form 8586 these credits are included in lines 6 and 7.) Do not include credits taken by a previous owner.

**Line 2.**— In general, one-third (.333) of the credits taken (the accelerated portion of the credits taken in earlier years) must be recaptured if there is a decrease in qualified basis in a subsequent year.

**Line 4.**—Enter the percent decrease of the qualified basis (line 4 of the 1987 Form 8586) at the close of the current year compared to the qualified basis at the close of the previous year.

If you disposed of a building or an ownership interest in it and did not post a bond you must recapture all of the accelerated portion shown on line 3. Enter 100% (1.00) on line 4.

**Note:** If the decrease causes the qualified basis to fall below the minimum set-aside requirements of section 42(g)(1) (the 20-50 test or the 40-60 test), then 100% of the amount shown on line 3 must be recaptured. Enter 100% (1.00) on line 4. If you elected the 40-60 test for a particular building and the decrease causes you to fall below 40%, you **cannot** switch to the 20-50 test to meet the set-aside requirements. You must recapture the entire amount shown on line 3.

**Line 6. Interest.**—Compute the interest separately for each prior tax year for which a credit is being recaptured. Use the overpayment rate established under section 6621 for the period beginning on the due date for filing the original return for each prior year involved. Add the interest amounts for each prior year and enter the total on line 6. (This interest is not deductible on your income tax return.)

**Line 7.**—Include the total credit recaptured on the line of your income tax return that is used to report tax from recapture of investment credit from Form 4255. Write "FORM 8611 RECAPTURE" and the amount to the left of the entry amount.