



Instructions for Form 8912

Credit to Holders of Tax Credit Bonds

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

What's New

The IRS has created a page on IRS.gov for information about Form 8912 and its instructions, at www.irs.gov/form8912. Information about any future developments affecting Form 8912 will be posted on that page.

General Instructions

Purpose of Form

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

- Clean renewable energy bond (CREB).
- Midwestern tax credit bond (MTCB).
- Qualified forestry conservation bond (QFCB).
- 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 receiving periodic interest payments from the issuer, the holder of the bond is allowed an annual 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 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, MTCB, or qualified tax credit bond (a qualified tax credit bond does not include a QZAB issued before October 4, 2008) on 1 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 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).



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, and 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.

MTCB. An MTCB is any bond with a maturity of not more than 2 years that was issued after 2008 and before 2010 by any state in which a Midwestern disaster area is located or any instrumentality of the state as a Midwestern tax credit bond. At least 95% of the proceeds of the bond must be used to pay principal, interest, or premiums on qualified bonds issued by that state or any political subdivision, or to make a loan to any political subdivision to pay principal, interest, or premiums on a qualified bond issued by that subdivision. A qualified bond for purposes of the MTCB credit means any obligation of a state or political subdivision which was outstanding on the earliest applicable disaster date for Midwestern disaster areas within the state. This term does not include any private activity bond, any bond for which there is any outstanding refunded or refunding bond during the period an MTCB is outstanding for such bond, or any bond issued as part of an issue if any portion of the proceeds of such issue was (or is to be) used to provide any property described in section 144(c)(6)(B).

Qualified tax credit bond. A qualified tax credit bond means a qualified forestry conservation bond, new clean renewable energy bond, qualified energy conservation bond, qualified zone academy bond, 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).

QFCB. A QFCB is any bond issued after May 22, 2008, by a **qualified issuer** as a qualified forestry conservation bond and 100% of the available project proceeds are used for one or more **qualified forestry conservation purposes**.

A **qualified issuer** for purposes of the QFCB is a state or any political subdivision or instrumentality thereof, or a 501(c)(3) organization (as defined in section 150(a)(4)).

Qualified forestry conservation purpose means the acquisition by a qualified issuer from an unrelated person of forest and forest land that meets the following qualifications.

- Some portion of the land acquired must be adjacent to the United States Forest Service Land.
- At least half of the land acquired must be transferred to the United States Forest Service at no net cost to the United States and not more than half of the land acquired may either remain with or be conveyed to a State.
- All of the land must be subject to a native fish habitat conservation plan approved by the United States Fish and Wildlife Service.
- The amount of acreage acquired must be at least 40,000 acres.

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.

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



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

Line 1

Enter the total from Part III, line 14.

Line 2

Enter the total of bond credits reported to you from partnerships, S corporations, estates, trusts, regulated investment companies, and real estate investment trusts, that were not reported to you on Form(s) 1097-BTC, Bond Tax Credit.

Note. You may receive Form(s) 1097-BTC from any of the above-listed entities 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, do not double-count amounts reported to you. Include any amount reported to you on Form(s) 1097-BTC by any of the above-listed entities on line 13, not on line 2. 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, do not double-count these amounts. Include the amount reported to you on Form 1097-BTC by the partnership on line 13, not on line 2.

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, MTCB, or QZAB (issued before October 4, 2008) cannot be carried forward.

Line 5

Estates and trusts must allocate any CREB or MTCB 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 credit, if any, from Form 1040, lines 48 through 52, or Form 1040NR, lines 46 through 49; Form 8859, line 9; Form 8396, line 9; Form 8834, lines 23 and 30; Form 8910, line 22; Form 8911, line 19; Form 8936, line 15; and Schedule R (Form 1040), line 22.

Line 10c

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

Line 12

If you do not 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 an MTCB, a CREB, or a QZAB (issued before October 4, 2008). If you cannot 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 cannot 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 cannot deduct any unused credit.

Limitation on credit from pass-through entities. For a CREB or MTCB held by a pass-through entity (partnership, S corporation, estate, trust, regulated investment company, or real estate investment trust), 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 did not 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:

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

If in the current tax year you had no taxable income attributable to a particular interest in a pass-through entity, you cannot claim any CREB or MTCB 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 or MTCB 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 or MTCB credit received from a pass-through entity.

Part III—Bond credit(s) reported to you on Form(s) 1097-BTC (and credits for bonds held by you or a nominee for which you did not receive Form(s) 1097-BTC)

Part III is used to list and total credits that: (1) are reported to you on Form(s) 1097-BTC and (2) were not reported to you on

Form 1097-BTC and you figured the credit for each tax credit bond on each credit allowance date. See the last two pages of these instructions for information to be attached to Form 8912 and for information on how to figure the credit.

Complete and attach as many copies of Part III as needed to list the credits you are reporting for the current tax year. 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 (c)

Bond credits that are reported to you on Form(s) 1097-BTC.

Enter the amounts shown in Boxes 1a–5a 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, not on Part I, line 2.

Bond credits that are not reported to you on Form 1097-BTC.

Complete and attach the statement on the last page of these Instructions for each bond you held. (The instructions for completing the statement are printed immediately before the statement.) Complete and attach as many copies of the statement as you need to claim the credit(s) for each bond you held directly or through a nominee and for which you did not receive a Form 1097-BTC. Enter the amount from each statement completed and attached on a separate line of line 13.

Line 14

Add the amounts listed on line 13 and enter the total on line 14. If you complete and attach 1 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.



For a new clean renewable energy bond or a qualified energy conservation bond, the credit is limited to 70% (.70) of the total credit figured for the tax year. The amount entered on line 14 for these bonds should not exceed 70% of the total credit figured for the tax year.

How to Calculate Your Bond Tax Credit if Form 1097-BTC Was Not Received

A statement showing how to calculate the credit for each bond you held directly or through a nominee and for which you did not receive a Form 1097-BTC is shown at the end of these Instructions. The instructions for completing the statement are shown below. A separate statement is required for each bond held. Complete and attach as many copies of the statement to your Form 8912 as needed.

Line 3

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

Line 4, 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 4, Column (b)

Enter the face amount of the CREB, MTCB, 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 4, Column (c)

The credit rate for the CREB, MTCB, 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 http://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 4, Column (e)

Generally, enter 25% for each credit allowance date you hold a CREB, MTCB, 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, 2011, and ends November 30, 2012. You purchased a QECB on March 16, 2012, and held it through the end of the tax year ending November 30, 2012. You would enter 50% computed as follows.

Credit allowance date	%
June 15, 2012	25
September 15, 2012	25
	50

However, the 25% will be prorated if a CREB, MTCB, or qualified tax credit bond is issued, redeemed, or matures during

the 3-month period ending on a credit allowance date. 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, 2011, and ends November 30, 2012. You purchased a QECB on March 23, 2012, the issue date of the bond. Since the bond was not held for the entire 3-month period ending on June 15, 2012, 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.

84 days (number of days from
March 24 through June 15) _____ = .913 x 25% = 23%

92 days (number of days from
March 16 through June 15)

You would enter 48% computed as follows.

Credit allowance date	%
June 15, 2012	23
September 15, 2012	25
	48

Line 4, Column (f)

This amount is the income tax credit to the holder of a tax credit bond.

Line 6

Bond Credit. Enter the amount from line 6 of each statement you complete and attach on a separate line of line 13, Part III, of Form 8912.

Interest Income. The current year credit on 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) is not 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.

