NEW MARKETS TAX CREDIT
AUDIT & TAX RETURN PREPARATION GUIDE

For the calendar year ended 12/31/2018

Prepared by:

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MHIC NEW MARKETS TAX CREDIT FUNDS

AUDIT AND TAX RETURN PREPARATION GUIDE

FOR THE YEAR ENDED DECEMBER 31, 2018

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TAB 1

MASSACHUSETTS HOUSING INVESTMENT CORPORATION

NEW MARKETS TAX CREDIT
TAX RETURN & AUDIT PREPARATION GUIDE

Introduction

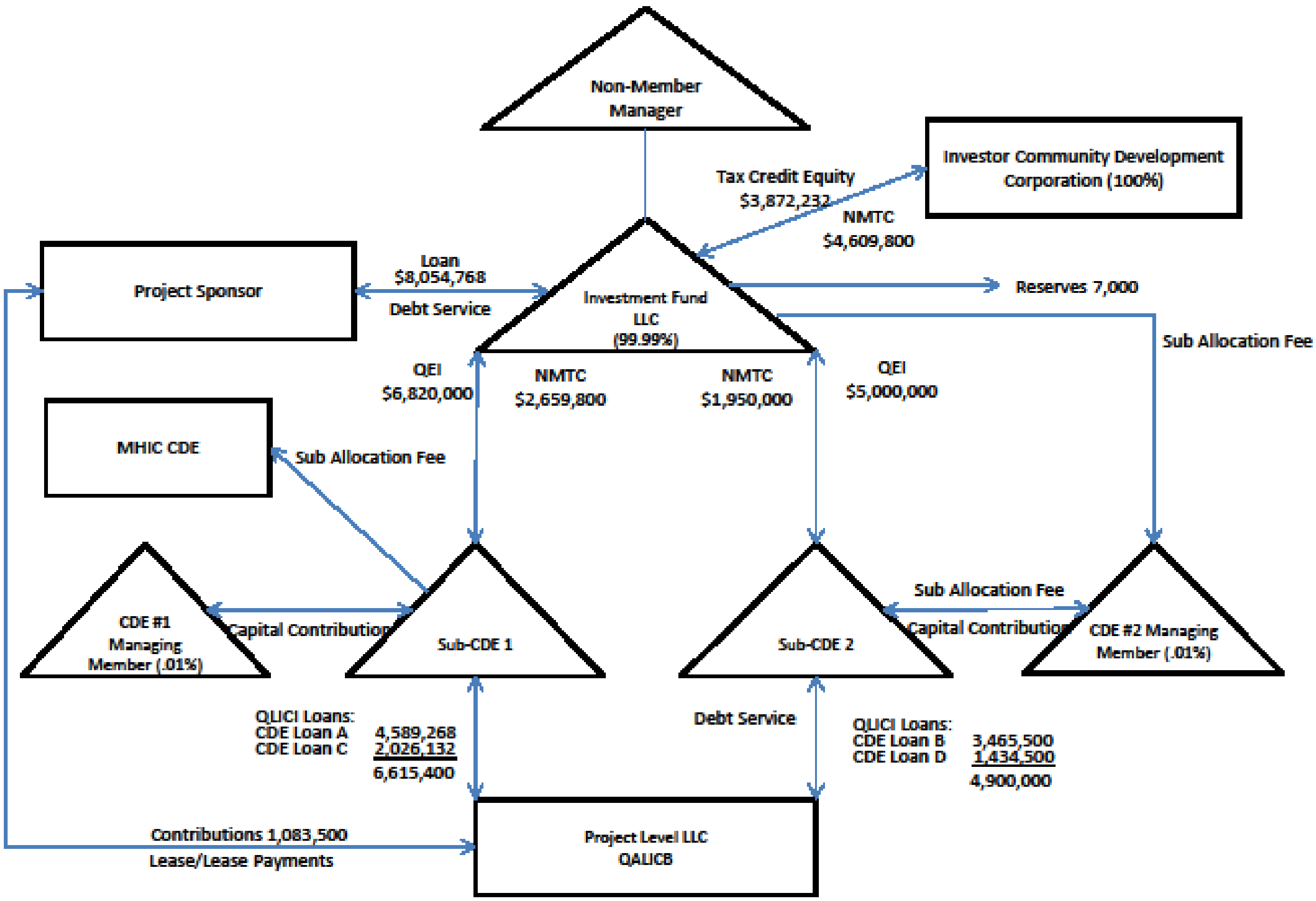
In 2000, Congress authorized the New Markets Tax Credit (NMTC) program to facilitate the access of capital for economic development in lower-income communities. The NMTC program was designed to follow on the success of the Low-Income Housing Tax Credit (LIHTC) program. The program is administered by the Treasury's Community Development Financial Institution (CDFI) Fund and tax regulations can be found in Treasury Regulations section 45D.

The NMTC itself is a 39% federal tax credit for investors claimed over a 7-year credit period in increments of 5% over the first three years of the credit period and 6% over the remaining 4 years. The NMTC is claimed based on the amount of qualified equity investments (QEI) made to a qualified community development entity (CDE). CDEs are for-profit entities organized to serve or provide capital to low-income communities and are certified by the CDFI Fund. CDEs must use the proceeds of QEIs to make and maintain qualified low-income community investments (QLICI) in qualified active low-income community businesses (QALICB). The Massachusetts Housing Investment Corporation (MHIC) has created NMTC investment funds and qualified CDEs in what is known as a leveraged structure to channel investor capital into qualifying investments. Sample illustrations of the structures of qualifying investments follow this introduction. Under the MHIC NMTC fund structure, QLICIs are generally made in the form of equity or loan investments made to project level limited partnerships or limited liability companies which represent QALICBs in the NMTC equation.

Many accounting and tax complexities exist at both the fund and CDE levels of the MHIC NMTC structure, but the purpose of this manual is to provide guidance to the management and independent accountant of the project level partnerships and limited liability companies which report upward to CDE and fund levels. **In this manual, the project level entities are interchangeably referred to as limited partnerships or limited liability companies. There are no significant differences in the reporting requirements of limited partnerships and limited liability companies.** Those familiar with the audit and tax requirements of MHIC's LIHTC funds should find these reporting requirements similar and in some ways, simpler from a tax perspective. However, the structure of individual project investments, in some cases, may involve complex multi-entity structures as well as multiple ownership transfers during pre-development, construction and occupancy phases. These aspects have generally been derived to facilitate the delivery of certain tax benefits to investors, comply with tax laws and/or other regulations related to the industry in which the project is to be used. **Project sponsors and practitioners should take great care to understand the entities for which they are responsible for accounting and tax reporting.**

The NMTC was extended for 5 years, through 2019 under the Consolidated Appropriations Act.

New Markets Diagram



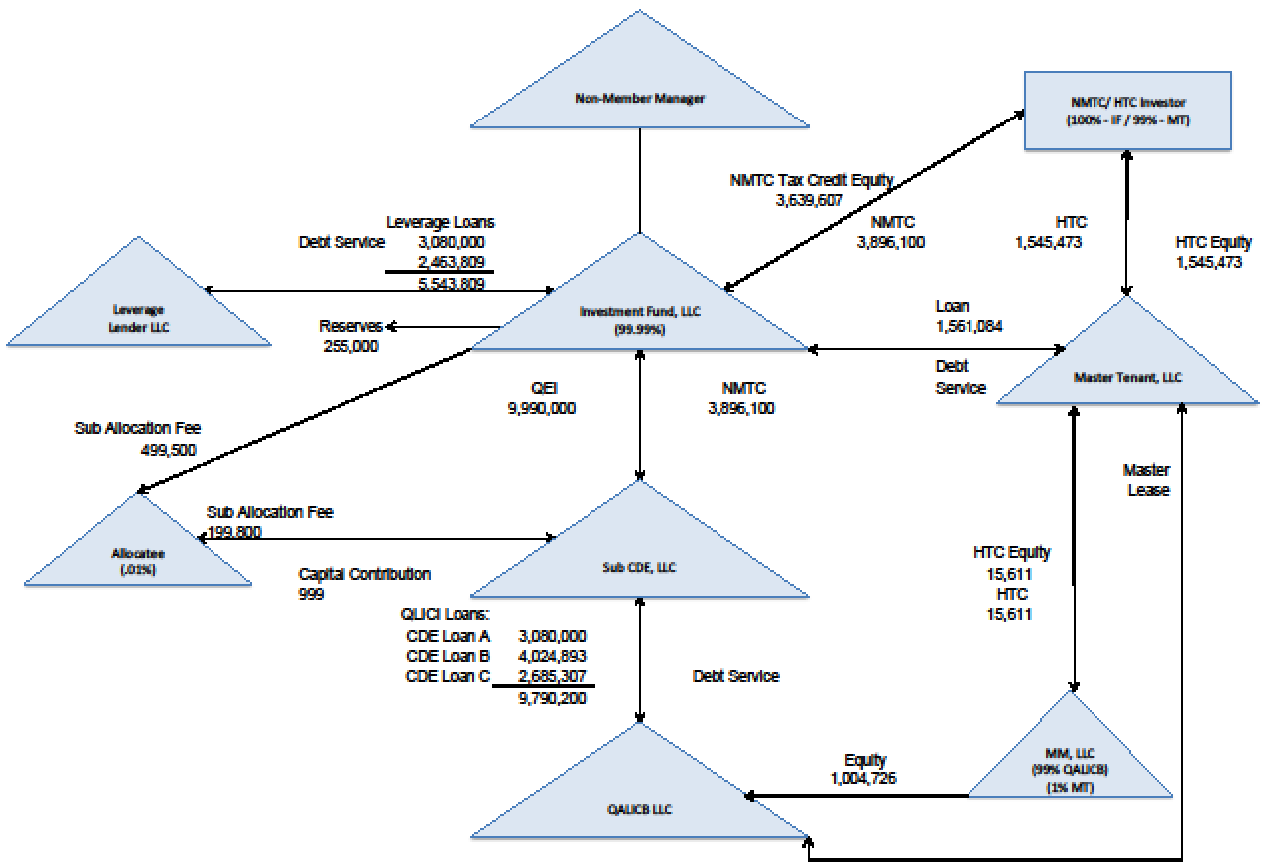
NMTC Transaction

The sample MHIC NMTC transaction represented on the preceding page shows a basic loan investment structure in which the New Markets CDE's have made four mortgage loans in the Project Level LLC. These transactions are referred to as "loan only" projects in this manual.

The structure is referred to as a leveraged structure because the project's debt is structured at the New Markets Fund level and is contributed as equity to the CDE to maximize the NMTC available to Investors in the NMTC Fund. Note that the event triggering recognition of the tax credit is not the investment of the New Markets CDE's in the Project Level LLC, but rather the $11,820,000 QEI made by the New Markets Fund into the New Markets CDE's. The QEI's will enable the tax credits to flow to the Investors in the NMTC Fund over the seven-year credit period. In some NMTC transactions, federal Historic Rehabilitation Tax Credits claimed at the Project Level LLC will also flow to the Investors.

Note that the principal amounts of the first and second mortgages made by the New Markets CDE's to the Project Level LLC correspond to the principal amounts or Hard Debt and Soft Debt at the New Markets Fund level. The other terms and conditions can vary with each transaction. Please be sure to review the terms of all debt instruments at both the Fund and CDE level. Note, however that the repayment terms of the QLICI note are structured to ensure that the Fund has sufficient cash flow to meet its debt service obligations. While requisitioning funds of NMTC projects, sponsor developers and accountants should be careful to monitor and reconcile the specific obligations being drawn down. MHIC's business office is available to assist sponsors in the reconciliation of loan balances.

NMTC/ HTC TRANSACTION
MASTER TENANT STRUCTURE



Master Tenant Structures

In transactions that twin the NMTC with the Federal Historic Rehabilitation Tax Credit, the operating tier project may be structured with multiple entities including a building owner, master tenant (or building lessee) and possibly other entities. In most cases, MHIC's asset management department has produced an organization chart of each project structure. For more complex structures, such as master tenant structures, these organization charts may be helpful in understanding the relationships between entities and the related accounting and tax reporting requirements.

Federal Historic Rehabilitation Tax Credits

A master tenant structure may be necessary to facilitate the intended distribution of federal Historic Rehabilitation Tax Credits (HRTC) to investors where a portion or all of the project is to be occupied by one or more tax-exempt entities (See Tab 4, Section V) of the Tax Preparation tab for more information concerning the HRTC and tax-exempt use as well as special tax considerations for master tenant arrangements) or for other reasons specific to the project. Typically, the master tenant enters a long-term lease from the building owner entity and then sublets the property to other subtenants (including tax-exempt sublessees). Tax regulations allow the master tenant (or lessor) to be treated as purchasing the building for purposes of claiming the HRTC.

In the example on the preceding page, the upper tier structure remains much the same as in the first sample NMTC transaction illustration. However, the CDE's investment (including loans) to the project is made to the Owner, LLC. The investment to the Owner, LLC may be loan, equity or both. The investment to the Master Tenant is typically made in the form of an equity contribution in an amount sufficient to absorb the capital account adjustment required in connection with claiming the HRTC. This investment is made from the NMTC & HTC Equity investor. Again, careful records must be kept by sponsor accountants to ensure the projects books reflect the appropriate flow of funds. The sponsor should establish separate general ledgers for the Owner, LLC and the Master Tenant, LLC.

Tax Status of Master Tenant

Note that the Master Tenant, LLC in this example is owned predominantly owned by the HTC Equity Investor (earlier deal structures may have this entity owned by the CDE. If the Master Tenant is 100% owned it will be treated as a disregarded entity for tax purposes). Please refer to the special reporting instructions on the following page and in the tax section of this manual if your project's master tenant is structured as a disregarded entity for tax purposes. Master tenants with more than one member are treated as partnerships for tax purposes.

Master Tenant Structures (continued)

State Historic Rehabilitation Tax Credits

Projects which have qualified for the federal HRTC may also have applied for newly authorized State historic credits (See Tab 4, Section VI within the tax section of this manual). In MHIC NMTC transactions, these state credits are generally not delivered to the Fund's NMTC investors, but are generally sold to outside parties to yield additional project equity. Note that these proceeds are the only source of financing not delivered through the NMTC Fund structure in the accompanying illustration.

Other Entities

This master tenant structure illustrated may include a Special Limited Partner (to invest the proceeds from the sale of State HRTC) and a Project Manager, LLC. Some transactions may contain additional entities. These entities are not within the scope of MHIC's NMTC annual audit and tax reporting process, but sponsors should establish an understanding of who is responsible for tax reporting for those entities and should also ensure all intercompany transactions are appropriately reconciled with the books of the Owner, LLC and Master Tenant, LLC.

MHIC NMTC FUNDS

SUMMARY OF OPERATING TIER REPORTING REQUIREMENTS

The following grid summarizes the reporting requirements for the operating tier project partnerships for the 2018 reporting year. Projects are considered to be placed in operations if they had rental operations for one month during 2018 (i.e., were placed in service by December 1, 2018 or earlier). If you have any questions concerning the filing requirements for your project entities, please contact MHIC as soon as possible.

	Projects in Construction				Projects Placed In Operations			
Project / Entity:	Audited Financial Statements	Indepen-dence Letter	Back-up Requir-ements	Tax Returns	Audited Financial Statements	Indepen-dence Letter	Back-up Requir-ements	Tax Returns
Equity Project	D	N	N	Y(B)	Y	Y	Y	Y
Loan-Only Projects	D	N	N	Y	Y	N	N	Y
Master Tenant:								
Building Owner	D	N	N	Y(B)	Y(A)	Y	Y	Y
Master Tenant	D	N	N	Y(B) (C)	Y(A)	Y	Y	Y(C)

Footnotes:

A. Master tenant structures which have been placed in service may be required to report on a combined or consolidated basis. Please see the notes in the financial reporting requirements section concerning format consolidation for combining or consolidating formats.

B. Depending upon the structure of the project entity, a project under construction may or may not have a filing requirement under federal or State regulations. If your project does not have a federal or State filing requirement for 2018, please notify MHIC and the upper tier accountant in writing. **Master tenants or other projects which are claiming HRTC and have placed in service at any time during 2018 must file tax returns**.

C. Master Tenants which are owned 100% by an MHIC CDE and considered a disregarded entity must prepare pro-forma federal and State tax returns for information only purposes to assist the upper tier accountant with the filing requirements for the MHIC CDE. These returns should not be filed with the IRS or State Department of Revenue.

D. Check with Asset Manager

Cost Certification for HRTC Projects:

Projects claiming either federal or Massachusetts historic rehabilitation tax credits must also prepare cost certifications for the year that the project will place in service. Please consult with your MHIC asset manager regarding any questions concerning cost certification requirements. If your project will claim the HRTC for the 2018 calendar tax year, please provide a draft copy of the cost certification to MHIC by February 28, 2018.

<u>The Tables on the following 3 pages reflect due dates that are required per each project's loan agreement.</u>

NMTC PROJECT 2018 AUDIT & TAX REQUIREMENTS

Projects	Asset Manager	Project Year End	QALICB Tax Form 1065	QALICB Tax Form 990	Master Tenant Tax Form 1065	Master Tenant Tax Form Proforma 1065	Master Tenant Tax Form N/A	Draft Due Dates Return	Draft Due Dates Audit	Final Due Dates Return	Final Due Dates Audit
NMTC FUND IV											
Eustis Firehouse LLC **[FINAL]**	RRR	12/31	X			X		3/1	3/1	3/15	3/15
BCATF Investment Fund, LLC											
Boston Carpenters Training Center **[FINAL]**	HAT	9/30		X				N/A	N/A	12/31	11/30
5CC Investment Fund, LLC											
Fraunhofer Center	SDB	12/31	X			X		3/15	3/15	4/1	4/30
Boston Hostel Investment Fund, LLC											
LCHC QALICB LLC (Loan only) **[FINAL]**	EMC	12/31	X			X		N/A	3/17	3/31	3/31
CHASE NMTC Codman Investment Fund, LLC											
Codman Square Health Center LLC **[FINAL]**	EMC	9/30		X			X	12/15	12/15	1/31	12/31
MHIC 481 Corp. NMTC Investment Fund II LLC											
110 Canal MT LLC/Freudenberg	EMC	10/31				X		1/15	2/15	1/30	3/1
Trinity Freudenberg LP	EMC	12/31	X					3/15	2/15	4/1	3/1
Caring Health Center Realty LLC	EMC	10/31	X					1/15	12/15	1/31	12/31
CHC Master Tenant LLC	EMC	10/31				X		12/15	1/15	12/31	1/31
Union Crossing	SDB	10/31	X			X		1/1	1/15	1/15	1/29
Benson Woodworking - Unity	SDB	6/30		X			X	N/A	9/13	9/28	9/28
Holyoke Library Investment Fund LLC											
HPL Realty Corp. **[FINAL]**	EMC	6/30		X				NA	9/16	9/30	9/30
225 Centre Investment Fund LLC											
225 Centre Street (225 COM LLC) **[FINAL]**	SDB	12/31	X				X	N/A	3/15	4/30	3/31
South Cove Investment Fund LLC											
South Cove Manner Nursing (Loan only)	EMC	12/31		X				N/A	3/15	3/30	3/30
RTH Investment Fund, LLC											
RTH Community Center, Inc.	EMC	12/31		X				NA	2/16	5/15	3/1
Fall River YMCA Library Investment Fund LLC											
Fall River YMCA	SDB	12/31		X			X	NA	3/17	3/31	3/31
MHIC NMTC Western Massachusetts Investment Fund LLC											
Elms College Center	HAT	3/31	X		X			N/A	N/A	7/29	7/29
New England Public Radio	RRR	6/30		X			X	N/A	8/15	9/28	8/29
East Boston Neighborhood Health Center Investment Fund LLC											
Twenty Maverick Square Corp. (EBNHC)	RRR	9/30		X			X	N/A	11/13	12/28	12/28

Commonwealth Yogurt Investment Fund II LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Commonwealth Dairy Expansion	MJS	12/31	X				X	N/A	N/A	3/31	2/28

BOA Dudley Square Realty Investment Fund

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Dudley Municipal Center	SDB	6/30		X			X	9/14	9/14	9/28	9/28

Brooks House Investment Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1120	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Brook's House (Vermilion, Inc.)	SDB	12/31	X			X		2/15	N/A	2/28	3/31

Barre City Place Investment Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Barre City Place	SDB	12/31	X				X	NA	N/A	3/31	3/31

MHIC LCBH Investment Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Learning Center at Bromley Heath	RRR	12/31		X			X	N/A	5/16	5/30	5/30

CHESHIRE COUNTY COURTHOUSE INVESTMENT FUND LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Cheshire County Courthouse	SDB	12/31	X				X	N/A	N/A	3/31	3/31

Enterprise Building Investment Fund

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Enterprise Building	RRR	12/31	X				X	3/1	3/1	3/15	3/15

Torrington Wellness Center Investment Fund

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Community Health and Wellness (Loan only)	EMC	9/30		X			X	N/A	12/15	12/30	12/30

USB Worcester Investment Fund II LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Worcester Telegram	SDB	12/31	X			X		3/1	3/1	3/15	3/15

MHIC RBS Citizens NMTC Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Jackson Commons	KW	12/31	X				X	N/A	2/15	3/31	3/1

BBGC NMTC I LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Bristol Boys & Girls Club	HAT	12/31		X			X	N/A	3/15	3/31	3/31

Chase NMTC Vincente's Tropical Investment Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Vincentes Property LLC	EMC	12/31	X				X	N/A	4/15	9/15	4/30

COCRF Investor 26, LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Continuum of Care	EMC	6/30		X			X	N/A	10/15	11/1	10/30

BOA Amos House Investment Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Amos House	RRR	9/30		X			X	N/A	N/A	1/28	1/28

Pawtucket B & G Club Investment Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Pawtucket Boys & Girls Club	SDB	8/31		X			X	10/31	10/31	11/15	11/15

Twain Investment Fund 84 LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Farnsworth Museum	SDB	9/30		X			X	N/A	N/A	6/1	1/31

Chase NMTC CIFC Investment Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Greater Danbury Community Health Ctr.	SDB	12/31		X				6/30	5/31	7/31	6/30

BOA LGH Investment Fund LLC

Projects	Asset Manager	Project Year End	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
			1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Lawrence General Hospital	SDB	9/30		X			X	N/A	N/A	2/28	2/28

Chase NMTC AMC Investment Fund LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
AMC Maine Woods Initiative LLC	SDB	12/31		X			X	N/A	5/15	6/30	5/31

Twain Investment Fund 85 LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Clark University/Jonas Realty Corp.	SDB	5/31		X			X	N/A	9/30	10/31	10/31

Chase NMTC Melnea Investment Fund LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Melnea Hotel LLC	SDB	12/31	X				X	N/A	N/A	4/30	4/30

GS Precision Investment Fund LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
GS Precision	EMC	6/30		X				N/A	9/15	9/30	9/30

Twain Investment Fund 201 LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Chroma Technology Corporation	SDB	6/30		X			X	N/A	9/13	9/28	9/28

Chase NMTC EBNHC IInvestment Fund LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
East Boston Neighborhood Health Ctr. PACE	EMC	12/31		X			X	N/A	N/A	3/31	3/31

COCRF Investor 100 LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Lynn YMCA	EMC	12/31		X			X	N/A	N/A	3/31	5/31

Twain Investment Fund 298, LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Swift Factory LLC / Swift Factory MT LLC	EMC	12/31	X		X			3/16	3/17	3/31	3/31

Chase NMTC MHIC Fund 2018 Investment Fund LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Wash Cycle Laundry	KE	12/31	X					N/A	N/A	3/31	N/A

Chase NMTC MHIC Fund 2018 Investment Fund LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
EBECC Library Inc.	RRR	12/31		X				N/A	3/17	3/31	3/31

COCRF Investor 140, LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Wayfinders	EMC	6/30		X				N/A	N/A	11/15	9/30

MHIC Citizens NMTC Fund LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Meeting Street (MS Support Corporation)	RRR	6/30		X				NA	10/31	11/30	11/30

TNT-HW 1 NMTC Fund, LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Horizons for Homeless Children	SDB	12/31	X					N/A	4/15	4/15	4/30

BOA FNC Investment Fund, LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1120	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Family Nurturing Center	KE	6/30	X					N/A	N/A	9/15	9/30

Twain Investment Fund 344, LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Burlington YMCA	SDB	12/31		X				N/A	3/15	3/31	3/31

Chase NMTC MHIC Fund 2018 Investment Fund, LLC

Projects	Asset	Project	QALICB Tax Form		Master Tenant Tax Form			Draft Due Dates		Final Due Dates	
	Manager	Year End	1065	990	1065	Proforma 1065	N/A	Return	Audit	Return	Audit
Crispus Attucks Children's Center	RRR	6/30		X				NA	10/17	11/30	10/31

Suggested Audit and Tax Preparation Schedule – Calendar Year End

December 1	**Audit and Tax Engagement Letter Signed**
December 15	**Audit preliminary work completed and Loan and equity balances reconciled with MHIC Finance Department**
January 15	**Begin Audit Fieldwork**
January 31	**Audit Fieldwork Completed**
February 15	**Review Draft Audit and Tax Returns with Management**
March 1	**Deadline for Submission of Drafts to MHIC**
March 15	**Deadline for Submission of Finals to MHIC (Please wait for "Go Final" letter)**

Drafts of audits and tax returns submitted for March 1, 2019 deadline should be prepared as if ready to be issued final. Incomplete drafts will be considered late.

*****Fiscal year-end projects should follow a similarly appropriate Schedule***.**

Asset Management Department Contact List

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Scott Backman	Director Asset Management	backman@mhic.com	(617) 850-1054
Melissa J. Sheeler	Deputy Director Asset Management	sheeler@mhic.com	(617) 850-1060
Ellen M. Caracciolo	Senior Asset Management Officer	caracciolo@mhic.com	(617) 850-1058
Rudolph R. Russell	Senior Asset Management Officer	russell@mhic.com	(617) 850-1023
Henry A. Terrones	Asset Management Officer	terrones@mhic.com	(617) 850-1050
Kimberly Etienne	Asset Management Officer	etienne@mhic.com	(617) 850-1041

Finance Department Contact List

William Thompson	Chief Finance Officer	thompson@mhic.com	617-850-1034
Charles Edwards	Controller	edwards@mhic.com	617-850-1047
Spencer Thornley	Senior Finance Officer	thornley@mhic.com	617-850-1063

New Market Tax Credit (NMTC) Developments by Fund

Fund IV	
Upper Tier Accountant	Alexander Aronson Finning
Tax ID Number	26-3687149
NE CDE 1 Series 2 LLC	
Tax ID Number	26-3688193
Project Name	Asset Manager
Eustis Street Firehouse	Rudolph Russell
Single Investor Proprietary Funds	
MHIC NE CDE II Sub 2 LLC	
Tax ID Number	27-1325417
Project Name	Asset Manager
Generations Willimantic	Ellen Caracciolo
MHIC NE CDE II Sub 6 LLC	
Tax ID Number	27-1326174
Project Name	Asset Manager
Lowell Community Health Center	Ellen Caracciolo
MHIC NE CDE II Sub 9 LLC	
Tax ID Number	27-1326549
Project Name	Asset Manager
Holyoke Public Library	Ellen Caracciolo
MHIC NE CDE II Sub 11 LLC	
Tax ID Number	45-1474206
Project Name	Asset Manager
Codman Sq. Health Center	Ellen Caracciolo
MHIC NE CDE I Sub 9 LLC	
Tax ID Number	27-0337806
Project Name	Asset Manager
Fraunhofer/5 CC LLC	Scott Backman
MHIC NE CDE II Sub 14 LLC	
Tax ID Number	45-1477413
Project Name	Asset Manager
110 Canal Street/Freudenberg	Ellen Caracciolo
MHIC NE CDE II Sub 10 LLC	
Tax ID Number	45-1472457
Project Name	Asset Manager
Union Crossing Commercial	Scott Backman
MHIC NE CDE II Sub 12 LLC	
Tax ID Number	45-1474887
Project Name	Asset Manager
Caring Health Center	Ellen Caracciolo
MHIC NE CDE II Sub 8 LLC	
Tax ID Number	27-1326415
Project Name	Asset Manager
225 Center Street	Scott Backman
MHIC NE CDE II Sub 15 LLC	
Tax ID Number	45-1485961
Project Name	Asset Manager

Elms College	Henry Terrones
MHIC NE CDE II Sub 22 LLC	
Tax ID Number	35-2443337
Project Name	Asset Manager
New England Public Radio	Rudolph Russell
MHIC NE CDE II Sub 16 LLC	
Tax ID Number	45-1486305
Project Name	Asset Manager
Twenty Maverick Square Corp. (EBNHC)	Rudolph Russell
MHIC NE CDE II Sub 21 LLC	
Tax ID Number	35-2443810
Project Name	Asset Manager
Dudley Municipal Center	Scott Backman
MHIC NE CDE II Sub 24 LLC	
Tax ID Number	61-1682116
Project Name	Asset Manager
Barre City Place	Scott Backman
MHIC NE CDE II Sub 18 LLC	
Tax ID Number	36-4731283
Project Name	Asset Manager
Learning Center at Bromley Heath	Rudolph Russell
MHIC NE CDE II Sub 25 LLC	
Tax ID Number	61-1682117
Project Name	Asset Manager
Community Health & Wellness Center	Ellen Caracciolo
MHIC NE CDE I Sub 17 LLC	
Tax ID Number	32-0375920
Project Name	Asset Manager
RTH Community Center	Ellen Caracciolo
MHIC NE CDE II Sub 13 LLC	
Tax ID Number	45-1477095
Project Name	Asset Manager
South Cove Manor Nursing	Ellen Caracciolo
MHIC NE CDE II Sub 20 LLC	
Tax ID Number	90-0824988
Project Name	Asset Manager
Brooks House/Vermilion	Scott Backman
MHIC NE CDE II Sub 19 LLC	
Tax ID Number	32-0375929
Project Name	Asset Manager
Cheshire County Courthouse	Scott Backman
MHIC NE CDE II Sub 27 LLC	
Tax ID Number	80-0872617
Project Name	Asset Manager
Bristol Boys & Girls Club	Henry Terrones
MHIC NE CDE II Sub 28	
Tax ID Number	32-0394765
Project Name	Asset Manager
Fall River YMCA	Scott Backman
MHIC NE CDE II Sub 29 LLC	

Tax ID Number	38-3892785
Project Name	Asset Manager
Enterprise Building	Rudolph Russell
MHIC NE CDE II Sub 30 LLC	
Tax ID Number	80-0874447
Project Name	Asset Manager
Jackson Commons	Kimberly Etienne
MHIC NE CDE II Sub 26 LLC	
Tax ID Number	80-0871964
Project Name	Asset Manager
Worcester Telegram & Gazette	Scott Backman
MHIC NE CDE II Sub 31 LLC	
Tax ID Number	30-0788643
Project Name	Asset Manager
Vincentes Tropical Grocery	Ellen Caracciolo
MHIC NE CDE II Sub 32 LLC	
Tax ID Number	90-0999422
Project Name	Project Name
Farnsworth Art Museum	Scott Backman
MHIC NE CDE II Sub 33 LLC	
Tax ID Number	80-0937315
Project Name	Project Name
Amos House	Rudolph Russell
MHIC NE CDE II Sub 34 LLC	
Tax ID Number	61-1716497
Project Name	Project Name
Clark University/Jonas Realty Corp.	Scott Backman
MHIC NE CDE II Sub 35 LLC	
Tax ID Number	30-0789060
Project Name	Project Name
Pawtucket Boys & Girls Club	Scott Backman
MHIC NE CDE II Sub 36 LLC	
Tax ID Number	80-0937421
Project Name	Project Name
Continuum of Care	Ellen Caracciolo
MHIC NE CDE II Sub 39 LLC	
Tax ID Number	30-0790045
Project Name	Project Name
Greater Danbury Community Health Ctr.	Scott Backman
MHIC NE CDE II Sub 40 LLC	
Tax ID Number	38-3911217
Project Name	Project Name
Lawrence General Hospital Surgical	Scott Backman
MHIC NE CDE II Sub 38 LLC	
Tax ID Number	37-1736482
Project Name	Project Name
AMC Maine Woods Initiative LLC	Scott Backman
MHIC NE CDE II Sub 41 LLC	
Tax ID Number	47-3238312
Project Name	Project Name

GS Precision	Ellen Caracciolo
MHIC NE CDE Sub 42 LLC	
Tax ID Number	47-3246801
Project Name	Project Name
Melnea Hotel LLC	Scott Backman
MHIC NE CDE II Sub 46 LLC	
Tax ID Number	81-4824725
Project Name	Project Name
East Boston Neighborhood Health PACE	Ellen Caracciolo
MHIC NE CDE II Sub 49 LLC	
Tax ID Number	81-4878931
Project Name	Project Name
Lynn YMCA	Ellen Caracciolo
MHIC NE CDE II Sub 47 LLC	
Tax ID Number	81-4841100
Project Name	Project Name
Swift Factory	Ellen Caracciolo
MHIC NE CDE II subsidiary 44 LLC	
Tax ID Number	47-3283204
Project Name	Project Name
Wash Cycle Laundry	Kimberly Etienne
MHIC NE CDE II Subsidiary 44 LLC	
Tax ID Number	47-3283204
Project Name	Project Name
EBECC Library Inc.	Rudolph Russell
MHIC NE CDE II Subsidiary 51 LLC	
Tax ID Number	81-4927758
Project Name	Project Name
Wayfinders (1780 HCHQ, Inc.)	Ellen Caracciolo
MHIC NE CDE II Subsidiary 54 LLC	
Tax ID Number	81-4976892
Project Name	Project Name
Meeting Street (MS Support Corporation)	Rudolph Russell
MHIC NE CDE II Subsidiary 52 LLC	
Tax ID Number	81-4936112
Project Name	Project Name
Horizons for Homeless Children	Scott Backman
MHIC NE CDE II Subsidiary 50 LLC	
Tax ID Number	81-4900045
Project Name	Project Name
Family Nurturing Center	Kimberly Etienne
MHIC NE CDE II Subsidiary 55 LLC	
Tax ID Number	81-5015595
Project Name	Project Name
Burlington YMCA	Scott Backman
MHIC NE CDE II Subsidiary 44 LLC	
Tax ID Number	47-3283204
Project Name	Project Name
Crispus Attucks Children's Center	Rudolph Russell

TAB 2

2018 Audited Financial Statements
Submission Deadlines Unless Indicated Otherwise in the NMTC Project Audit & Tax Requirements Table:

Draft Copy
Friday, March 1, 2019**

Final Copy
Friday, March 15, 2019**
Or
Within eight (8) calendar days of the date MHIC issues a "Go final" letter.

**** CONSULT MHIC's *NMTC Project Audit & Tax Requirements* LOCATED ON PAGES 10-12 OF THIS GUIDE AS MANY PROJECTS HAVE FISCAL YEAR ENDS AND/OR DIFFERENT DUE DATES. Project Audit and Tax Schedule dates shown above are to be modified accordingly ****

Remit Audit information as follows:

AUDITS
DRAFT and FINAL audits must be uploaded to the MHIC portal. Accounting firms will register in advance and will receive instructions for using the portal.
Hard copy documents are not accepted.

MHIC Secure Portal Website: https://www.mhic.com

Each audit firm must register for access to the portal. Please send the name and email address of your main contact person for tax and audit submissions to Scott Backman at MHIC. We will then send you an invitation to register for the tax & audit portal.

If you have any questions regarding the portal please email Scott Backman at backman@mhic.com or call at (617) 850-1054.

Final audits must include a signed original Independence letter that are dated on or after the date of the final auditor's report and must be submitted with the final reporting package (see format in Tab 2, exhibit A). Final audits should be sent to the MHIC portal. MHIC will forward the audits to the appropriate upper tier auditor.

MHIC Document Portal Instructions

Tax and Audit Module

2018

MHIC has a secure internet portal for the 2018 Audit and Tax season, set up to receive all of your draft and final tax returns, audits and work papers. We have designed it to meet the Mass. Privacy Law as well as the security concerns of our customers and partners. We are also looking for more efficiency as we process and review all of the documents. We hope that all of you will be able to upload your documents directly to the MHIC portal with no additional security or encryption on your part, as the results of our polling indicated would be possible.

Instructions: This document contains directions for how to navigate and use the Tax and Audit Module of the MHIC Secure Document Portal. The Secure Document Portal is located at https://www.mhic.com.

- **Step 1: Register for access to the Document Portal**.

Registration for the Portal is by Invite Only. Users will receive an email from webserver@mhic.com with a Unique Registration Invitation ID and directions to the registration page in the Portal which is located at https://www.mhic.com/account/register.aspx.

- Upon navigating to the Registration Page, users will enter the Invitation ID and then click 'Begin Registration'. The Registration ID can be 'copy-and-paste' into the form.

- After clicking 'Begin Registration', users will enter their Login information into the form that appears. After filling in all the fields, users then click 'Create User'. The Registration will be completed and the user will be given access to the Document Portal.

- Users can now click 'Continue' button to begin using the Portal, or navigate to https://www.mhic.com and log in using their entered Account information to use the Portal.

- **Step 2**: **Using the Document Portal**.

- After logging into the Document Portal users will see the Document Portal Home Page. The Home Page will list the different Modules users have access to as well as status information about the Document Portal.

- Users can now click 'Tax and Audit Module' to access the Tax and Audit Module of the Document Portal.

On the left side of the page, users will see a list of functionality they have access to:

> **Group Administrator**: Users that have Administrative access to invite other users to the Document Portal.
> **Lower-Tier Group**: Users that have access to Upload and View Lower-Tier Documents.
> **Upper-Tier Group**: Users that have access to Upload and View Upper-Tier Documents, and view Lower-Tier Documents.
> **User Profile**: Access to Users' individual Account Information.

- **Group Administrator:** Manages the Users in your group or company. Each audit firm will identify a Group Administrator who will invite the other Users in their firm who need to upload documents to the MHIC portal.

- **Please provide the name and contact information of your firm's administrator to Scott Backman at MHIC, including phone and email address. (backman@mhic.com)**

- To invite other Users into the Document Portal, enter the user's email address, chose a Role and click **'Invite User'. The Portal will send that user an invitation from** webserver@mhic.com **with directions on** how to register for the Portal. Users can be given either 'Member' or 'Administrator' Role.

Administrators can also switch users between 'Member' and 'Administrator' Roles. Click 'Promote' or 'Demote' next to the user and their role will be changed to 'Member' or 'Administrator' accordingly.
Only Administrators can invite new users, or change status of current users in the Portal.

Lower-Tier Group: Upload and View Documents
The page is divided into three sections. The upper 'Lower-Tier Documents' area displays the Projects and documents the users are allowed to work with. The lower 'New Document' area uploads documents to the Portal. The 'Document Versions' area appears when a document in selected in the 'Lower-Tier Documents' area.

Uploading Documents: To add a document, users scroll down to the 'New Document' area and select what Project and Document Type they are uploading for. They then pick either Draft or Final. The Document Portal recognizes one 'Final' for each Document Type, so old 'Finals' are changed into 'Old Finals' whenever a 'Final' is uploaded. A comment for each document can then be entered. The user then clicks 'Browse' to locate the document they want to upload and then clicks 'Upload Document' to upload the document. The Portal accepts pdf documents up to 10mb. As the documents are being uploaded, a progress bar is displayed, and a status field lets the users know what the Portal is doing. The Document Portal will send an email to the Asset Manager and Upper-Tier Accountant for that Project with confirmation that the document was uploaded.

Downloading documents: Once documents are uploaded, users can click on the documents in the 'Lower-Tier Documents' section to see the corresponding documents that are stored on the Portal. Once a document is selected, the 'Document Versions' area appears and displays a list of the document's versions. Users can click on individual versions to download a copy of that document. To download a document, right click on the name of document then select Copy from the drop down menu. Then paste the copy of the document wherever you want to save it on your own computer system.

Upper-Tier Group: Upload and View Documents
The page is divided into three sections. The upper 'Upper-Tier Documents' area displays the Projects and documents the users are allowed to work with. The lower 'New Document' area uploads documents to the Portal. The 'Document Versions' area appears when a document in selected in the 'Upper -Tier Documents' area.

To add a document, users scroll down to the 'New Document' area and select what Fund and Document Type they are uploading for. They then pick either Draft or Final. The Document Portal recognizes **one 'Final' for each Document Type, so old 'Finals' are changed into 'Old Finals' whenever a 'Final' is** uploaded. A comment for each document can then be entered. The user then clicks 'Browse' to locate the document they want to upload and then clicks 'Upload Document' to upload the document. The Portal accepts pdf documents up to 10mb. As the documents are being uploaded, a progress bar is displayed, and a status field lets the users know what the Portal is doing.

Once documents are uploaded, users can click on the documents in the 'Upper -Tier Documents' section to see the corresponding documents that are stored on the Portal. Once a document is selected, the 'Document Versions' area appears and displays a list of the document's versions. Users can click on individual versions to download a copy of that document.

The Document Portal will send an email to the MHIC Finance department for that Fund with confirmation that the document was uploaded.

User Profile: Manage Individual User Account
Users use this page to change their password. Users enter their old Password, and then their new Password and the system will update their registered password.

If user's password is forgotten, the user can request a new password from the system. They enter their email address instead of log in, and the system will email them a new password. They can then change their password in the User Profile section after log in.

If you have questions or issues, please contact Scott Backman at backman@mhic.com.

HELPFUL ACRONYMS

AFR	Applicable Federal Rate
AUL	Activity & Use Limitation (form 1075)
CDE	Community Development Entity
CDFI	Community Development Financial Institution
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
HRTC	Housing Rehabilitation Tax Credit
HUD	Department of Housing and Urban Development
IRC	Internal Revenue Code
LIC	Low Income Community
LIP	Low Income Person
LLC	Limited Liability Company
LURA	Land Use Restriction Agreement
MSA/PMSA	Metropolitan Statistical Area/Primary Metropolitan Statistical Area
NMTC	New Markets Tax Credit
QCT	Qualified Census Tract
QALICB	Qualified Active Low-Income Community Business
QEI	Qualified Equity Investment
QLICI	Qualified Low-Income Community Investment
QRB	Qualified Rehabilitation Building
QRE	Qualified Rehabilitation Expenditures
RFP	Request for Proposal
SAS	Statement on Auditing Standards
TR	Treasury Regulations

Balance Sheet Information
See preferred Balance Sheet Statement format. (Attached)
Note: ***When prior year numbers are available, accountant must present in comparative format.***

Income and Expense Statement
See preferred Income and Expense Statement format. (Attached)
Note: ***When prior year numbers are available, accountant must present in comparative format.***

Statement of Cash Flows (see example)

Notes to Audited Financial Statements
Provide a separate reconciliation of financial statement income to taxable income if it is not already included in the notes to the financial statements. (See example)

The selection of depreciation lives has a significant impact on the operating results at the lower tier level and the Fund level. Your depreciation schedules should reflect those found in the financial forecast projections of each respective Partnership Agreement.

Include terms of all outstanding debt principal, year end balance, total accrued interest and expense interest amounts and list in priority. Note reserve amounts separately including where held and the type of reserve account. Please contact MHIC's business office if you have questions.

Note any and all related party transactions and include general project information such as: parties involved, relationship of parties, services rendered or nature of transactions, balances involved and amounts outstanding as of balance sheet date

Statement of Partners' Equity
Identify the MHIC NMTC CDE partnership equity separately

Independence Letter
See sample letter attached.

Audit Management Letter
Please provide MHIC with audit management letter comments.

Illustrative Financial Statements

Please note: The following illustrative financial statements depict an operating tier project entity structured as a limited liability company (LLC). Some operating tier entities are structured as limited partnerships (LPs). The reporting requirements for an LP are substantially similar to those of limited liability companies aside from terminology differences. The format of these financials is in a typical real estate company format with detailed supplemental schedules to facilitate a review of project operations by MHIC's asset managers and the upper tier accountants.

Master Tenant Structures and ASC Topic 810 (Consolidation Topic) (formerly FASB 167, Amendment to FIN 46R)

Project accountants should carefully consider the project structure and the guidance of Consolidation 810 to determine whether the financial statements of the building owner and master tenant must be consolidated. If consolidation is deemed appropriate in the circumstances, please prepare the financial statements in a consolidating format that presents the separate financials of each entity before consolidation and uses an elimination column to eliminate intercompany transactions. If consolidation is not deemed appropriate, separate audited financial statements for each entity must be submitted to MHIC.

FASB ASC Consolidation Topic 810-20: Consolidation, Control of Partnerships and Similar Entities (Formerly EITF 04-05, Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights)

This standard provides guidance as to when a general partner of a limited partnership must consolidate the partnership in its financial statements. In applying this guidance, project accountants may determine that the operating tier partnership must be consolidated with the sponsor or an entity formed by the sponsor as the general partner of the partnership. However, this standard does not change the generally accepted reporting practice that a subsidiary may produce unconsolidated financial statements separate from those of its parent. Project financial statements submitted to MHIC should be prepared on consolidated basis as applicable. However, project financial statements that have been consolidated with a general partner or project sponsor must include supplemental consolidating statements showing the activities of the project. Audit opinions accompanying unconsolidated subsidiary project financials should contain an appropriate 'emphasis of a matter' paragraph disclosing the nature or the project's consolidation with the sponsor.

SAMPLE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ABC Limited Liability Company:

Report on the Financial Statements

We have audited the accompanying financial statements of ABC Limited Liability Company (a Massachusetts Limited Liability Company) which comprise the balance sheets as of December 31, 201X and 201X-1, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Limited Liability Company as of December 31, 201X and 201X-1, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hometown, Massachusetts
March 1, 201X

ABC LIMITED LIABILITY COMPANY
(A Massachusetts Limited Liability Company)

Balance Sheets

As of December 31, 201X and 201X-1

	201X	201X-1
Current Assets		
Cash and cash equivalents	$	$
Tenant accounts receivable		
Other accounts receivable		
Other prepaid expenses		
Total current assets		
Restricted Deposits and Funded Reserves		
Replacement reserve		
Operating reserve		
Other reserves		
Tenant security deposits		
Total restricted deposits and funded reserves		
Fixed Assets		
Land		
Building		
Furnishings		
Total fixed assets		
Less: accumulated depreciation		
Total net fixed assets		
Other Assets		
Mortgage costs, net of accumulated amortization of $XXXX		
Other intangibles, net accumulated amortization $XX		
Deferred Rent Receivable		
Total other assets		
Total long-term assets		
Total Assets	$	$

ABC LIMITED LIABILITY COMPANY

(A Massachusetts Limited Liability Company)

Balance Sheets – Continued

As of December 31, 201X and 201X-1

Current Liabilities	201X	201X-1
Accounts payable		
Accrued management fees		
Accrued interest payable		
Accrued real estate taxes		
Miscellaneous accrued expenses		
Ground lease payable		
Prepaid rent		
Current Maturities of long-term debt	$	$
Total current liabilities	-	-
Tenant Security Deposits		
Tenant security deposits – liability		
Long-Term Liabilities		
Mortgage payable, net of current maturities		
Due to related parties		
Development fee payable		
Total long-term liabilities	-	-
Other Liabilities	-	-
Total liabilities	-	-
Partners' Equity		
Partners' equity		
Total Liabilities and Partners' Equity	$ -	$ -

ABC LIMITED LIABILITY COMPANY
(A Massachusetts Limited Liability Company)

Statements of Operations

For the Years Ended December 31, 201X and 201X-1

Gross Income	201X	201X-1
Rental income		
Commercial	$	$
Less vacancies		
	-	-
Residential		
Less vacancies		
	-	-
Parking and other revenue		
Total rental income		-
Financial revenue		
Interest income		
Other revenue	-	-
Total financial revenue	-	-
Total gross income	-	-
Rental Operating Expenses		
Administrative		
Management fee expense		
Utilities		
Operating and maintenance		
Real Estate Taxes		
Insurance		
Interest on mortgage payable		
Other interest		
Depreciation and amortization		
Total rental operating expenses	-	-
Net Operating (Loss) Income	-	-
Entity Expenses		
Investor service fee		
Asset management fee		
Total entity expenses	-	-
Net (Loss) Income	$ -	$ -

ABC LIMITED LIABILITY COMPANY

(A Massachusetts Limited Liability Company)

Statements of Changes in Partners' Equity

For the Years Ended December 31, 201X and 201X-1

	Managing Member	Special Member	Investor Member	Total
Partners' equity, December 31, 201X	$ -	$ -	$ -	$ -
Capital contributions	-	-	-	-
Capital distributions				
Net income (Loss)	-	-	-	-
Partners' equity, December 31, 201X-1	-	-	-	-
Capital contributions				
Capital distributions				
Net income (Loss)	-	-	-	-
Partners' equity, December 31, 201X	$ -	$ -	$ -	$ -
Profit & loss percentages	0.01%	0.00%	99.99%	100%

<u>Note: All Investor members must be identified and disclosed</u>

ABC LIMITED LIABILITY COMPANY
(A Massachusetts Limited Liability Company)

Statements of Cash Flows

For the Years Ended December 31, 201X and 201X-1

Cash Flows from Operating Activities	201X	201X-1
Net Income (Loss)	$ -	$ -
Adjustments to reconcile net loss to net cash provided		
by operating activities:		
Depreciation		-
Amortization of financing fees charged as interest expense		
Interest on restricted deposits		
Decrease (increase) in assets		
Tenant accounts receivable		
Accounts receivable – other		
Prepaid property insurance		
Other prepaid expenses		
Real estate tax and insurance escrow		
Tenant security deposits – asset		
Increase (decrease) in liabilities		
Accounts payable		
Accrued management fees		
Accrued interest payable		
Accrued real estate taxes		
Miscellaneous accrued expenses		
Prepaid rent		
Tenant security deposits – liability		
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities		
Purchase of fixed assets		
Proceeds from sale of fixed assets		
Deposits into replacement reserve		
Withdrawals from replacement reserve		
Deposits into operating reserve		
Withdrawals from operating reserve		
Net Cash Provided (Used) by Investing Activities	-	-

ABC LIMITED LIABILITY COMPANY

(A Massachusetts Limited Liability Company)

Statements of Cash Flows-Continued

For the Years Ended December 31, 201X and 201X-1

Cash Flows from Financing Activities		
Mortgage proceeds		
Loan proceeds from related parties		
Loan repayments to related parties		
Principal payments on mortgage		
Partners' contributions		
Partners' distributions		
Net Cash Provided (Used) by Financing Activities	-	-
Net (Decrease) Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents – Beginning	-	
Cash and Cash equivalents – Ending	$ -	$ -
Supplement Disclosure of Cash Flow Information		
Cash paid during the year for interest	$	$

Note: Cash balances must NOT include tenant security deposits or other restricted cash accounts

(1) Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by ABC Limited Liability Company (the Company) in the preparation of the consolidated financial statements:

The consolidated financial statements include financial statement information of ABC Limited Liability Company ("Landlord") and ABC Master Tenant LLC ("Tenant"), collectively referred to herein as "the Project". The Project was formed under the laws of the State of Massachusetts on XXXXX X, 20XX to construct and operate a commercial real estate project located in CITY, Massachusetts. The building is a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code (IRC). The Landlord is a Qualified Active Low-Income Community Business in accordance with the terms under the New Market Tax Credit (NMTC) program pursuant to Section 45D of the IRC. The Landlord is required to comply with various rules and regulations and failure to comply with these or other requirements could result in the recapture of NMTC taken by the lenders. The Tenant rents commercial/residential space under a master tenant operating lease ("the Lease") from the Landlord and has a sublease ('the Sublease") with XYZ Company. Both the Lease and Sublease are more fully described in Note XX.

Pursuant to the Amended and Restated Operating Agreements (the "Agreements"), the ownership Percentages of the Project as of December 31, 201X and 201X-1 were as follows:

Landlord	
Partner 1 (Managing Member)	95.00%
Partner 2 (Member)	5.00%
	100.00%
Tenant	
MHIC NE CDE I Subsidiary XX LLC ("The Fund")	100.00%

Landlord remains in effect until December 31, 201X and Tenant remains in effect until December 31, 201X.

(a) Purpose of Tenant and Landlord Structure

The Landlord owns the property and the improvements. The Landlord has leased the property to the Tenant under the Lease, as further described in Note XX. The Tenant in turn has rented the property to XYZ Company. The Tenant is responsible for making monthly payments to the Landlord under the terms of the Lease. XYZ Company is responsible for all the operating expenses incurred in connection with operating the property. The Tenant does not own the property or the improvements nor is it responsible for any payment under the loan agreements. The purpose of the Master Lease structure is to permit the allocation of Historic Tax Credits to the owner of the Tenant under the provisions of Section 50(d) of the IRC as described more fully in Note XX.

(b) Organization

The Company consists of one managing partner, with a .01% share, NAME and one investor partner, with a 99.99% share, NAME except as otherwise specified in the operating agreement, all items of income, expense, gain, loss, tax credits, tax preferences and cash are allocated to the partners based on those percentages.

(1) Summary of Significant Accounting Policies - continued

(c) Rental Income

The Company receives rental income from Project tenants which is recognized as the rents are earned. Rental payments received in advance are deferred. All leases between the Company and its tenants are operating leases. The Company derives substantially all of its revenues from its rental activity in CITY, Massachusetts.

(d) Financial Statement Presentation

Certain amounts in the 201X - 1 financial statements have been reclassified to conform to the 201X presentation.

(e) Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

(f) Capitalization and Depreciation

Land, building, furniture, fixtures and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Organizational costs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statements of Operations.

The Company computes depreciation using the straight-line method over the following estimated lives:

Building and improvements	XX years

(g) Amortization

Mortgage costs are amortized over the term of the mortgage loan using the effective interest method.

(h) Advertising Costs

The Company expenses advertising costs when they are incurred. Advertising expense amounted to $XXXX and $XXXX for the years ended December 31, 201X and 201X - 1, respectively. (OR - Advertising expense was immaterial for the years ended December 31, 201X and 201X - 1)

(1) Summary of Significant Accounting Policies - continued

(i) Income Taxes

The Company follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Company to report uncertain tax positions, related interest and penalties, and to adjust its unrecognized tax benefits and accrued interest and penalties accordingly. As of December 31, 201X, the Company determined that there were no material unrecognized tax benefits to report.

No income tax provision has been included in the accompanying financial statements as the income, loss and credits of the Company is reported by the partners on their respective income tax returns. However, the Company is subject to audit by tax authorities. The Company believes that it has appropriate support for the positions taken on its tax returns. The Company files income tax returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

(j) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash balances in banks located in STATES as required, according to their regulatory agreement. Cash and deposit balances maintained with BANK amounted to $XXXX and $XXXX at December 31, 201X and 201X - 1, respectively. The Company did not maintain cash balances in excess of FDIC insured limits in any other financial institution during the years ended December 31, 201X and 201X - 1.

Cash and deposit balances exceeding FDIC insured limits were maintained with Bank. Deposits with Bank amounted to $XXXXX and $XXXX at December 31, 201X and 201X - 1, respectively.

(k) Accounting Estimates

These financial statements were generated in accordance with accounting principles generally accepted in the United States of America, which requires that management make and use estimates in the preparation of certain amounts and disclosures. Actual results could differ from those estimates.

(l) Accounts Receivable

The Company carries its accounts receivable from tenants at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of December 31, 201X and 201X - 1, management has determined that any allowance would be immaterial.

The Company does not have a policy to accrue interest on trade receivables. Accounts are written off as uncollectible upon move-out or eviction of the tenant. The Company derives substantially all of its accounts receivables from its rental activity in CITY, Massachusetts. The Company has a policy to collect security deposits of up to one month’s rent from tenants. The security deposits can be used to pay for damages caused by the tenant or used against unpaid receivables.

(1) Summary of Significant Accounting Policies - continued

Deferred Rent Receivable

As further discussed in Note XX, deferred rent receivable represents the cumulative timing difference between the sublease payments being recorded on a GAAP basis for financial statement purposes as compared to the actual sublease rent payments received and recorded for income tax purposes.

Deferred Developer Fee

As more further discussed in Note XX, the Developers of the property earned a Developer Fee for completion of the project. Part of the Developer Fee has been paid. The remaining balance will be paid from future cash flow.

(m) Fair Value

The Company follows the accounting standards pertaining to *Fair Value Measurements* for qualifying assets and liabilities. The standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and expand disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework under the standards are as follows:

> Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
>
> Level II: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
>
> Level III: Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

(n) Subsequent Events

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying financial statements. Subsequent events are transactions or events that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. The accompanying financial statements include the evaluation of subsequent events that have occurred through XXXX X, 201X which is the date the financial statements were available to be issued.

(2) Partners' Capital Contributions

In accordance with the Company agreement, the investor limited partner has agreed to make capital contributions of $XXXXX, payable in XXX installments. As of December 31, 201X, the investor limited partner has made XXX installments totaling $XXXX. The Company has one managing member, NAME. As of December 31, 201X and 201X - 1, it made capital contributions of $XXXX.

(3) Restricted Deposits and Funded Reserves

(a) Cash Restricted – Operating Reserve

The Landlord is required to maintain an Operating Reserve to assist in funding Operating Deficits. The reserve shall be funded by the Lessors (Master Tenant) second capital contribution installment, in an amount of $XXX,XXX, which constitutes the target amount. Annual net operating income shall be applied to maintain the Operating Reserve at an amount equal to no less than the target amount. Providing there is no default, withdrawals of $XX,XXX or less may be made from this account without consent of the fund. All earnings on the Operating Reserve shall accrue to the benefit of the Operating Reserve. Any funds remaining in the Operating Reserve seven years from the date of the third installment and following the funds withdrawal from the Partnership may be released.

There were no contributions or withdrawals during 201X and 201X - 1. The account earned $XXX and $XXX of interest during 201X and 201X - 1, respectively. As of December 31, 201X and 201X - 1 the balance was $XXX,XXX and $XXX,XXX, respectively.

(b) Cash Restricted – Replacement Reserve

The Landlord is required to maintain a Replacement Reserve to assist in payment for substantial repairs and/or replacement of capital assets. The reserve is to be funded in the amount of $XXX per residential unit and $0.X0 per square foot of commercial space (the "Funding Obligation"). The reserve is to be funded beginning no later than the date on which the Landlord achieves stable operations. All interest earned shall remain as part of the Replacement Reserve.

During 201X and 201X - 1, the Partnership contributed $X,XXX and $X,XXX, respectively. There were no withdrawals during 201X and 201X - 1. The account earned $XX and $XX of interest during 201X and 201X - 1, respectively. During 201X and 201X - 1, the account paid bank fees of $XX and $XX, respectively. As of December 31, 201X and 201X - 1 the balance was $XX,XXX and $XX,XXX, respectively.

(c) Cash Restricted – Supplemental Reserve

The Landlord is required to maintain a Supplemental Reserve which can be withdrawn annually by the Lessor for a distribution to its Members or to make payments for any project-related costs and expenses. The reserve was funded from the proceeds out of the third capital contribution installment.

During 201X and 201X - 1, the Partnership contributed $XX,XXX and $XX,XXX, respectively. There were no withdrawals during 201X and 201X - 1. The account earned $XXX and $XXX of interest during 201X and 201X - 1, respectively. During 201X and 201X - 1, the account paid no bank fees. As of December 31, 201X and 201X - 1 the balance was $XXX,XXX and $XXX,XXX, respectively.

(d) Cash Restricted – CDE Annual Expense Reserve

The Landlord is required to maintain a CDE Annual Expense Reserve to assist in paying certain operational expenses of the lender. All interest earned shall remain as part of the reserve. Annual withdrawals of $XX,XXX increased by an inflation factor of X.X%, upon receipt of an itemized invoice may be made from this account upon authorization by the lender. Any funds remaining in the reserve seven years from the date of the third installment and following the funds withdrawal from the Landlord may be released.

No contributions were made during 201X and 201X - 1. The Partnership withdrew $X,XXX and $XX,XXX from the reserve during 201X and 201X - 1, respectively. The account earned $XXX and $XXX of interest during 201X and 201X - 1, respectively. During 201X and 201X - 1, the account paid bank fees of $XX and $XX, respectively. As of December 31, 201X and 201X - 1 the balance was $XX,XXX and $XX,XXX, respectively.

(e) Cash Restricted – Loan Servicing Reserve

The Landlord is required to maintain a Loan Servicing Reserve to assist in paying an annual $X,XXX loan servicing expense. Annual withdrawals may be made from the reserve in accordance with the requirements set forth in the lender services agreement. Any funds remaining in the Reserve seven years from the date of the third installment and following the funds withdrawal from the Landlord may be released.

No contributions were made during 201X and 201X - 1. The Partnership withdrew $X,XXX and $X,XXX from the reserve during 201X and 201X - 1, respectively. The account earned $XX and $XX of interest during 201X and 201X - 1, respectively. During 201X and 201X - 1, the account paid bank fees of $XX and $XX, respectively. As of December 31, 201X and 201X - 1 the balance was $XX,XXX and $XX,XXX, respectively.

(f) Cash Restricted – LLC Distribution Reserve

The Landlord is required to maintain an LLC Distribution Reserve to assist in paying the annual cash distributions relating to outstanding capital contributions, priority return fees, special tax distributions, administration fees, repayment of pari passu subordinated loans and operating deficit loans. An annual deposit shall be made into the Reserve in the amount of the net cash flow distributable (based on the above) together with any other funds deemed distributable. Upon determining the operating income for each year, an amount not to exceed to estimated distributable amount shall be withdrawn from the Reserve. The balance remaining in the Reserve shall remain as part of the Reserve until termination of the recapture period. All funds remaining in the Reserve at the end of the recapture period shall be released upon termination of the recapture period. As of December 31, 201X, the Reserve had not yet been funded.

(g) Cash Restricted – Sinking Fund Reserve

The Landlord is required to establish a Sinking Fund Reserve starting in calendar year 202X. This Reserve is to be funded annually using the entity's net cash flow and may be used to make payments on the MHIC CDE Loan (QLICI Loan B). As of December 31, 201X the Reserve had not yet been funded.

Summary of Restricted Deposits as of December 31, 201X and 201X - 1:

	201X	201X-1-
Operating Reserve	$ XXX,XXX	$ XXX,XXX
Replacement Reserve	XX,XXX	XX,XXX
Supplemental Reserve	XXX,XXX	XXX,XXX
CDE Annual Expense Reserve	XX,XXX	XX,XXX
Loan Servicing Reserve	XX,XXX	XX,XXX
LLC Distribution Reserve	-	-
Sinking Fund Reserve	-	-
TOTAL RESTRICTED DEPOSITS	$ XXX,XXX	$ XXX,XXX

(4) Long-term Debt

1.	Note payable to ABC Master Tenant LLC dated XXXX X, 201X in the amount of $X,XXX,XXX. The note bears interest of X.XXX% per annum. The note calls for interest only payments through XXX X, 203X. On XXX X, 203X, payments of principal and interest of $X,XXX per month will commence and will continue through XXX X, 204X. At which time a balloon payment of $X,XXX,XXX will come due. The building and property are pledged as collateral for the loan. For the year ended December 31, 201X, $XX,XXX of interest expense was paid, of which $XX,XXX was capitalized as part the project development costs and $XX,XXX was expensed.	$X,XXX,XXX
2.	Note payable to MHIC NE CDE II Subsidiary XX LLC (QLICI Loan A) dated XXXX, X, 201X in the amount of $X,XXX,XXX. The note bears interest of X.XXX% per annum. The note calls for interest only payments through XXXX X, 202X, at which time a balloon payment of $X,XXX,XXX will come due. The building and property are pledged as collateral for the loan. For the year ended December 31, 201X, $XXX,XXX of interest expense was paid, of which $XX,XXX was capitalized as part the project development costs and $XX,XXX was expensed.	X,XXX,XXX

3.	Note payable to MHIC NE CDE II Subsidiary XX LLC (QLICI Loan B) dated XXXX X, 201X in the amount of $X,XXX,XXX. The note bears interest of X.XXX% per annum. The note calls for interest only payments through December 1, 203X. On XXXX X, 203X, monthly payments of principal and interest will commence and will continue through XXXX X, 204X. Monthly principal payments will be made pro rata in accordance with QLICI Loan B principal payments to maintain a constant yield on the outstanding notes. The building and property are pledged as collateral for the loan. For the year ended December 31, 201X, $XX,XXX of interest expense was paid, of which $XX,XXX was capitalized as part of the project development costs and $XX,XXX was expensed.	X,XXX,XXX
4.	Note payable to Other Lender LLC (QLICI Loan A) dated XXXX X, 201X in the amount of $X,XXX,XXX. The note bears interest of X.XXX% per annum. The note calls for interest only payments through XXX X, 202X, at which time a balloon payment of $X,XXX,XXX will become due. The building and property are pledged as collateral for the loan. For the year ended December 31, 201X, $XX,XXX of interest expense was paid, of which $XX,XXX was capitalized as part of the project development costs and $XX,XXX was expensed.	X,XXX,XXX
5.	Note payable to Other Lender LLC (QLICI Loan B) dated XXX X, 201X in the amount of $XX,XXX,XXX. The note bears interest of X.XXX% per annum. The note calls for interest only payments through XXXX X, 203X. On XXXX X, 203X, monthly payments of principal and interest will commence and will continue through December 31, 204X. Monthly principal payments will be made pro rata in accordance with QLICI Loan B principal payments to maintain a constant yield on the outstanding notes. The building and property are pledged as collateral for the loan. For the year ended December 31, 201X, $XXX,XXX of interest expense was paid, of which $XXX,XXX was capitalized as part the project development costs and $XX,XXX was expensed.	XX,XXX,XXX
6.	Note payable to ABC Management LLC dated XXXX X, 201X in the original amount of $XXX,XXX. The note bears interest of X.XXX% per annum. The note calls for repayment of the outstanding principal balance and all accrued unpaid interest on XXXX X, 204X. The loan is unsecured. During 201X, a payment in the amount of $XX,XXX was made. For the year ended December 31, 201X, $X,XXX of interest was accrued.	XXX,XXX
	TOTAL NOTES PAYABLE	XX,XXX,XXX
	Less: Current Portion	-
		$XX,XXX,XXX

Maturities of long-term debt are as follows:

Year Ending December 31,	
	$ -
201X+1	-
201X+2	-
201X+3	-
201X+4	-
201X+5	-
Thereafter	XX,XXX,XXX
	$XX,XXX,XXX

Total interest expense for the year ended December 31, 201X was $XXX,XXX. Capitalized interest for 201X was $XXX,XXX. Interest expense for 201X was $XXX,XXX. Capitalized interest was charged to construction-in-progress.

The Landlord's long-term debt agreements with its lenders contain certain restrictions and covenants. Under these restrictions, the Landlord must obtain consent of the lenders to pay member distributions or borrow from others. In addition, the Landlord must maintain certain levels of working capital and net worth and maintain certain financial ratios.

(5) Transactions with Affiliates and Related Parties

(a) Asset Management Fee

An asset management fee of $XXXX was incurred in the years ended December 31, 201X and 201X - 1 to a company whose ownership is common to the limited partner for services to be rendered in reporting to the investor limited partners. The investor member holds a 99.98% interest in the Company. Asset management fees of $XXXX were outstanding as of December 31, 201X and 201X - 1. Please note whether fee is allowed to accrue or is payable only to the extent of cash flow.

(b) Due from Affiliate

Due from affiliate represents non-interest bearing advances from the general partner for acquisition expenses. Advances due from the affiliate amounted to $XXXX and $XXXX at December 31, 201X - 1 and 201X-2, respectively.

ABC Master Tenant LLC

Priority Return Distribution

The Tenant shall pay to MHIC NE CDE XX Subsidiary XX LLC, the sole member, an annual priority return distribution based on XX% of its capital invested in the project. The priority return commenced in

December, 201X. As of December 31, 201X and 201X-1, the Tenant distributed $XX,XXX and $XX,XXX which represented excess cash flow to its member.

(6) – Master Lease Agreement and Sublease Agreement

Master Lease Agreement

The Landlord's Lease for the land and buildings commenced on Xxxxxx XX, 20XX. The first lease payment commenced on Xxxxxx XX, 20XX and continues through 20XX. Under the terms of the Lease, the Tenant will pay annual base rent payments as follows:

December 31,		
200X+1		$ XX,XXX
200X+2		XX,XXX
200X+3		XX,XXX
200X+4		XX,XXX
200X+5		XX,XXX
Thereafter		XXX,XXX
		$ XXX,XXX

Tenant's Lease expense and Landlord's Lease income for the years ended December 31, 201X and 201X-1 was $XX,XXX and $XX,XXX, respectively.

Master Sublease Agreement

The Tenant's Sublease with XYZ Company commenced on Xxxxxx XX. 20XX. The first lease payment commenced on Xxxxxx XX, 20XX and continues through 20XX. Under the term of the Sublease, XYZ Company will pay annual base payments as follows:

Year Ending		
December 31,		
200X+1		$ XX,XXX
200X+2		XX,XXX
200X+3		XX,XXX
200X+4		XX,XXX
200X+5		XX,XXX
Thereafter		XX,XXX
		$ XXX,XXX

The XYZ Company expense and the Tenant's Lease income for the years ended December 31, 201X and 201X-1 was $XX,XXX and $XX,XXX, respectively.

(7) Taxable Income (Loss)

A reconciliation of financial statement net loss to taxable loss of the Company for the years ended December 31, 201X and 201X - 1, are as follows:

	201X	201X - 1
Financial statement net loss	$ (xx,xxx)	$ (xx,xxx)
Adjustments:		
Excess of depreciation and amortization for income tax purposes over financial reporting purposes	(xx,xxx)	(xx,xxx)
Organizational fees	-	xx,xxx
Taxable loss as shown on tax return	$ (xx,xxx)	$ (xx,xxx)

(8) Company's Profits and Losses

Per the operating agreement, to the extent of cash flows, the following are priorities:

Distributable cash flow is defined in the operating agreement as the sum of all cash receipts less cash disbursements for operating activities and replacement reserve funding, including the annual investor service fee.

Distributable cash flow is payable annually, .XX% to the managing member and XX.XX% to the investor member.

Gain, if any, from a sale or exchange or other disposition of the property owned by the Company is allocable as follows:

(a) To all partners pro rata in proportion to and to the extent of their respective positive capital account balances.

(b) The remainder of such gain, if any, XX% to the investor member and XX% to the managing member.

Loss, if any, from a sale or exchange or other disposition of the property is allocated .XX% to the managing member and XX.XX% to the investor member.

During 201X, $XXXX was distributed to the partners.

(9) Ground Lease

ABC owns the land upon which the Project is located. The Company (Tenant) has entered into a long term operating lease with ABC (Landlord) that terminates on December 31, 20XX. The base rent is $XXX,XXX. The Company has made base rental payments of $XXX for the years ended December 31, 201X and 201X-1.

(10) Obligations of the Managing Member

The operating agreement sets forth various obligations of the managing member as follows:

Development Guaranty

The Guarantor unconditionally and absolutely guarantees to Lender lien-free completion of the Project in accordance with the applicable provisions of the Loan Agreement (including, without limitation, any applicable grace and cure periods), including payment of all Project Costs.

Operating Deficit Guaranty

The Guarantor shall advance funds to the Borrower up to the Limitation Amount as required to pay all Operating Deficits during the term of this Agreement (the "Operating Deficit Contributions"). The Operating Deficit Contributions shall be due only if funds are not available in the Operating Reserve Account. The "Limitation Amount" shall equal $XXX,XXX minus the aggregate amount of contributions theretofore made to the Operating Reserve Account. Operating Deficit Contributions totaled $xx,xxx and $xx,xxx as of December 31, 201X and 201X, respectively.

ABC LIMITED LIABILITY COMPANY

(A Massachusetts Limited Liability Company)

Supplemental Schedule of Other Revenues and Expenses

As of December 31, 201X and 201X-1

Other Revenue	201X	201X-1
Laundry and vending	$	$
Damages and cleaning fees		
Other		
Total Other Revenue	**$**	**$**
Expenses		
Administrative Expenses		
Advertising	$	$
Other renting expenses		
Office salaries		
Office supplies		
Management fee		
Manager and superintendent salaries		
Legal expenses		
Auditing expenses		
Bookkeeping fees/accounting services		
Telephone and answering services		
Bad debts		
Miscellaneous		
Total Administrative Expenses	**$**	**$**
Operating and Maintenance		
Janitor and cleaning payroll, contracts and supplies	$	$
Superintendents salary		
Garbage and trash removal		
Security payroll, contracts and supplies		
Grounds contract		
Repairs payroll, contract and supplies		
Laundry expense		
Total Operating and Maintenance	**$ -**	**$ -**
Taxes and Insurance		
Real estate taxes	$	$
Payroll taxes		
Property and liability insurance		
Workman's' compensation insurance		
Health insurance and other employee benefits		
Taxes - other		
Total Taxes and Insurance	**$**	**$**
Utilities Expense		
Electricity	$	$
Water		
Gas		
Sewer		
Total Utilities Expense	**$**	**$**

COMMON FINANCIAL STATEMENT REPORTING/ACCOUNTING ISSUES

- Material tenants accounts receivable – These should be scrutinized carefully to determine issues of collectibility and allowance for doubtful accounts

- Accounting for rent guarantees and additional rental income

- Escrow/Reserve activity detail not reconciled to third party statements

- Land included with building – Often, the acquisition cost of land is not stated separately in a purchase of property. All reasonable efforts should be made to determine the fair value allocation between land and building for depreciation purposes. Working papers should document the basis of the allocation methodology used

- Tax basis asset lives used for GAAP basis depreciation

- Allocation of profit/loss

- Disclosure of put and call options

- Proper breakout of development costs into various fixed assets categories

- Comparison of actual financial results to financial forecast

- Construction payables included with accounts payable – be sure that the amount of any construction payables are either separately stated or disclosed in the notes to the financial statements

- Accruals - real estate taxes, utilities, management fee, etc. not properly recorded – the financials of the operating tier Companies should be maintained on a full accrual basis

- Entity fees – calculation of incentive fees, asset management fees, investor service fees, etc. not performed and/or recorded. The Company's agreements may allow for the payment or accrual of sponsor/developer fees based on operating cash flow or other factors. Such fees should be disclosed in the financial statements and auditor working papers should include tests of calculations of applicable fees

- Inclusion of entity expenses with operating expenses – legal, organization, and other expenses associated with the development's legal structure should be separated from the operating costs of the Company

- Development Fee/interest – non-accrual – interest calculations should be made current through the balance sheet date. Deferral and adjustment of development fee for cost overruns.

- Debt not reconciled to third party statements – for many operating companies, primary and secondary financings are structure through the MHIC NMTC Fund. The principal balance of all mortgages should be reconciled with records maintained by MHIC. This can be done prior to the year-end closing in most cases. In some cases, MHIC may make advances on loans into escrows carried in the Company's name – please consider this when reconciling loan balances

- Soft Debt – non- accrual of interest – in many cases, secondary financings do not require current debt service, but interest continues to accrue. Please be sure all interest accruals are current through the balance sheet date. As above, interest accruals should be reconciled to records maintained by MHIC

- Failure to record non-cash activity

- Disclosure of guarantees and/or other related party transactions

- Consideration of recording all lease payments on a GAAP basis which requires a straight-line approach. This would require a book to tax footnote disclosure.

MHIC NMTC FUNDS

Audit/Tax Preparation Documents

Your auditor/tax preparer will provide you with a complete list of items to prepare in connection with their work. Following are several key items they are likely to request. If possible, obtain a complete copy of your projects closing binder for your CPA.

- **Entity/Transaction Organization Chart**
- **Schedule of accumulated sources of funds drawn to date**
- **Copies of requisitions**
- **Contractor invoices (as requested by auditor)**
- **Development Fee agreements and schedule of payments**
- **Construction and Architect contracts/ change orders**
- **Purchase and Sale**
- **Purchase Settlement Sheet**
- **Wire Notices**
- **Operating Agreement or LLC Operating Agreement**
- **Financial forecast model**
- **Sources and Uses Development Budget**
- **Tax Opinion**
- **Financing agreements – commitment letter, mortgages, loan agreements, promissory notes**
- **Leases**
- **Trial balance and general ledger**

TAB 3

EXHIBIT A

<u>Sample Auditor Independence Letter</u>
(Place on Firm Letterhead)

Date

Gentlemen:

We have audited the financial statements of *(INVESTMENT LIMITED LIABILITY COMPANY NAME)* as of December 31, 20XX and for the year then ended. In connection with our audit, we make the following representations to you:

1. We are independent with respect to *(LIMITED LIABILITY COMPANY FUND NAME)* and *(INVESTMENT LIMITED LIABILITY COMPANY NAME)* under the requirements of the American Institute of Certified Public Accountants.

2. We are aware that you intend to place reliance on our audit of the financial statements of *(INVESTMENT LIMITED LIABILITY COMPANY NAME)* as of December 31, 201X and for the year then ended.

3. We are familiar with generally accepted accounting principles and with the generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants and have conducted our audit and reported in accordance with these standards.

4. We are in compliance with requirements established by the American Institute of Certified Public Accountants for peer review and have provided you with a copy of our last peer review report.

5. We have provided to you in a separate correspondence any other matters that have an effect on or should be disclosed in the financial statements of *(LIMITED LIABILITY COMPANY FUND NAME).* These matters include but are not limited to audit scope limitations, related party transactions, illegal acts, going concern issues and noncompliance with various agreements.

Sincerely,

(Signature)
Firm Name

EXHIBIT B

Back-up Tax and Audit Workpaper Requirements

Project accountant audit workpapers and other information must be prepared for review by the upper tier auditor. Additional information is also required by the upper tier auditors for their review of the project's draft tax returns.

Audit workpapers and other items **required** to be submitted to the upper tier accountant for review of the preliminary draft audited financial statements.

a. Working trial balance and financial statement grouping sheets.
b. Bank reconciliations and related statements and confirmations.
   If no confirmations, please document how tested.
c. Detail accounts receivable aging schedule including all A/R in excess of 90 days.
d. Mortgage escrows and replacement reserves. If no confirmations, please document how tested.
e. Fixed assets and fixed asset additions and related depreciation calculations (including calculations for asset impairment, if applicable).
f. Deferred costs and related amortization.
g. Mortgage and loans payable along with related interest and confirmations.
   If no confirmations, please document how tested.
h. Partners equity showing changes in limited partner and general partner equity.
i. Revenue and expense analytical review.
j. Management representation letter.
k. Legal letter from attorneys, if applicable.
l. Auditor independence letter (See Exhibit A).
m. Memorandum summarizing consideration of ASC Topic (Consolidation Topic 810) consolidation of master tenant (if applicable)

Tax preparer workpapers and other items must be completed for review with the preliminary draft federal and state tax returns.

a. Book to tax conversions. (See Exhibit C)
b. Fixed asset and depreciation schedule for MACRS and Alternative Minimum Tax (AMT) depreciation methods.
c. Classification of loans - Recourse/Non-recourse.
d. Details of any special tax allocations (profit - loss - credits - liabilities).
e. Calculation of any Historic Rehabilitation Tax Credits claimed
f. Minimum gain analysis 704(b) identifying each non-recourse debt.

EXHIBIT C

NAME: XYZ Limited Partners
DATE:

BOOK TO TAX RECONCILIATION

			Partners' Equity (Deficit)	Net Income (Loss)
Per Financials			2,000,000	(1,600,000)
Prepaid Rent	BOY	(22,000)		
Prepaid Rent	EOY	25,000	25,000	3,000
Allowance for Bad Debts	BOY	0		
Allowance for Bad Debts	EOY	15,000	15,000	15,000
Accumulated Depreciation - PY	Book	175,000		
Accumulated Depreciation - PY	Tax	(155,000)	20,000	
Depreciation - CY	Book	1,300,000		
Depreciation - CY	Tax	(1,100,000)	200,000	200,000
Contributions Receivable				
Amortization - CY	Book	100,000		
Amortization - CY	Tax	(115,000)	(15,000)	(15,000)
Accumulated Amortization - PY	Book	12,000		
Accumulated Amortization - PY	Tax	(2,000)	10,000	
Write off Construction Period interest & taxes related to the building basis				
Syndication Costs Classified as an Asset for tax purposes			0	
Other GAAP/Tax Differences				
Accrued Int. Adj.	BOY	0		
Accrued Int. Adj.	EOY	0	0	0
Tax Basis Totals			2,255,000	(1,397,000)

TAX CAPITAL BOY	300,000	Sec 754 depreciation	
CY CONTRIBUTIONS(DISTRIBUTIONS)	3,352,000	Guarantee payment	
NET INCOME(LOSS)	(1,397,000)		
TAX CAPITAL EOY	2,255,000	BALANCE M-1	(1,397,000)

TAB 4

2018 Tax Return Submission Deadlines Unless Indicated Otherwise in the NMTC Project Audit & Tax Requirements Table:

Draft Copy
Friday, March 1, 2019**

Final Copy
Friday, March 15, 2019**
Or
Within eight (8) calendar days of the date MHIC issues a "Go final" letter.

**** CONSULT MHIC's *NMTC Project Audit & Tax Requirements* LOCATED ON PAGE S 10-12 OF THIS GUIDE AS MANY PROJECTS HAVE FISCAL YEAR ENDS AND/OR DIFFERENT DUE DATES. Project Audit and Tax Schedule dates shown above are to be modified accordingly ****

Remit the Tax information as follows:

Tax Returns
DRAFT and FINAL tax returns must be uploaded to the MHIC portal. Accounting firms will register in advance and will receive instructions for using the portal. Hard copy documents are not accepted.

MHIC Secure Portal Website: https://www.mhic.com

Each audit firm must register for access to the MHIC portal. Please send the name and email address of your main contact person for tax and audit submissions to Scott Backman at MHIC. We will then send you an invitation to register for the tax & audit portal.

If you have any questions regarding the portal please email Scott Backman at backman@mhic.com or call at (617) 850-1054.

* Incomplete drafts do not constitute a timely delivery

Final tax returns must be submitted electronically to the MHIC portal in two separate files. Please submit the final federal and state tax returns together in a single file. MHIC must also receive in a single file, a copy of both federal and state E File forms (Form 8453-P for Federal & Form 8453P for State) signed by the General Partner or Limited Liability Member.

MHIC NEW MARKETS TAX CREDIT FUNDS

TAX RETURN PREPARATION GUIDE FOR OPERATING PARTNERSHIPS AND LLC'S

Table of contents

INTRODUCTION

The Massachusetts Housing Investment Corporation ("MHIC") is distributing this partnership tax return preparation guide to assist accounting firms that prepare tax returns for operating partnerships which are part of one of the MHIC New Markets Tax Credit Funds.

Many of the Operating Tier projects are organized as limited liability companies (LLCs). For tax purposes, an operating LLC is treated as a Partnership and must file IRS Form 1065 and Massachusetts Form 3. **Do not file the Partnership tax returns with the IRS and Massachusetts Department of Revenue until you receive authorization from Massachusetts Housing Investment Corporation.**

Please note that New Markets Tax Credits are claimed directly at the NMTC Fund level based upon qualifying equity investments made to community development entities (CDE's) established by MHIC. There are no special tax reporting or compliance issues required at the operating partnership level related to the NMTC.

Please contact MHIC with any questions concerning this manual or tax return preparation.

Schedules and Forms Required in Connection with Preparation of IRS Form 1065 and Schedules K-1:

- **Schedule M-3 – Net Income (Loss) Reconciliation for Certain Partnerships -** This form is required for partnerships meeting certain conditions, but may also be filed on a voluntary basis with the IRS. If your project is not otherwise required to prepare this schedule, please prepare it as a "voluntary filer" by checking Box E and submit it with your tax returns

- **Form 8825 – Rental Real Estate Income and Expense of a Partnership or an S-Corporation –** Must be prepared to capture the operating revenue and expenses of the project development. Other revenues and expenses not directly related to the operation of the project should be captured on Part I of Form 1065 or as separately stated items on Schedule K

- **Form 3468 – Investment Credit** – Must be filed by those building owners or master tenants who are claiming qualified rehabilitation expenditures in connection with the federal Historic Rehabilitation Tax Credit

Partnership Elections and Tax Return Preparation Reminders:

In addition, the following are reminders for preparing a complete and accurate partnership tax return:

1. The accrual method of accounting should be used for all Partnerships
2. Syndication expenses may not be amortized under current law.
3. Legal and other fees in relation to the acquisition or disposition of any capital assets should not be deducted as a current period expense, but rather capitalized over the life of the underlying asset, such as the building.
4. Fees paid for mortgages and other debt should be capitalized over the term of the loan, not over the term of the underlying asset.

Special Requirements for Master Tenants Treated as Disregarded Entities:

As noted in Tab 1, master tenants of some projects may be owned 100% by an MHIC NMTC CDE qualifying them to be treated as disregarded entities for tax purposes. For master tenants in these circumstances, MHIC requires project sponsors to arrange for the preparation of IRS Form 1065 and Massachusetts Form 3 as well as the work paper back-up requirements for submission to MHIC in accordance with the established due dates. These tax filings will be used on pro-forma basis by the upper tier accountant preparing the CDE tax filings and **should not** be filed by the sponsor with the IRS and Massachusetts Department of Revenue.

Master tenants with other than 100% ownership by a single member should follow the normal tax filing and reporting process.

Tax Return Due Dates:

Return Type	Original and Extended Due Dates	Comments
Partnership (calendar year) Form 1065	March 15 Sept. 15	For fiscal year partnerships, returns are due on the 15th day of the 3rd month after the year-end. A six-month extension is allowed from that date
C Corporation (calendar year) Form 1120	April 15 Sept. 15	For year-end corporations, returns are due on the 15th day of the 4th month after the year-end. A six-month extension is allowed from that date

I. PARTNERSHIP TAX RETURN AND ACCOUNTING ISSUES

1.01 Capital Contributions

The investment limited partners' capital contributions should be recorded in the year paid. Do not record unpaid capital contributions as a receivable for tax purposes.

1.02 Tax Treatment of Development and Syndication Related Fees

Most partnerships syndicated after 1986 have development fees and interest associated with those fees.

For tax purposes these fees are treated as follows:

(a) Development Fee and Related Note

The principal portion of the development fee and related note is added to the building basis and depreciated.

(b) Development Fee Interest

Interest on the development fee note is deducted as it is accrued if the developer is an unrelated party. If the developer is a related party, the interest deduction is based on the developer's method of accounting. If the developer is on the cash method of accounting, then interest is deducted when paid. If the developer is on the accrual method of accounting, interest is deducted as it is accrued.

(c) Syndication Fees

Fees paid to a syndicator for raising equity are not tax deductible. The fees reduce the Partners' capital account on Schedule K-1, line J and should be listed as a reduction on Form 1065, Schedule M-2, and line 7.

1.03 Depreciation

(a) Real Property

Completely fill out Form 4562 or attach a detailed schedule. Commercial projects must use 39 years straight-line depreciation. The mid-month convention applies to real property. One half month of depreciation is allowed for the month the property is placed in service. For example, if a project with a depreciable base of $1,000,000 is placed in service May 1, the first year's depreciation would be $1,000,000/39 x 7.5/12 = $14,957. If the same project was placed in service May 30, the result would be the same. Mixed use properties including a residential component will need to allocate capital costs between the commercial and residential components. Residential components must use 27.5 years straight line depreciation. <u>Please refer to changes to Business Interest Expense Limitation and Depreciation that may be imposed by the Tax Cuts & Jobs Act (TCJA)</u>.

(b) Personal Property

Personal property for projects placed in service after December 31, 1986 has a five year recovery period and 200% declining balance method of depreciation. Generally, personal property follows a mid-year convention. One half year of depreciation is allowed on property placed in service any time during the year. However, if more than 40% of the personal property is placed in service in the last quarter of the year, it is necessary to use the mid-quarter convention. Property is then depreciated based on which quarter that it was placed in service. Personal property includes appliances, shades, blinds and carpeting.

II. OTHER CONSIDERATIONS

2.01 Allocation of Nonrecourse and Recourse Liabilities

There are two types of debt: recourse and nonrecourse.

Nonrecourse loans are generally allocated to all partners (general and limited) based on their profit-sharing ratios. Examples of nonrecourse loans include mortgages on the property, acquisition notes and purchase money notes and all accrued interest on these notes and loans for which no one is personally liable. Qualified nonrecourse financing generally includes financing that is secured by real property and that is loaned or guaranteed by a Federal, state or local government or that is borrowed from a "qualified" person. Qualified persons include any person actively and regularly engaged in the business of lending money, such as a bank or savings and loan association.

The "Nonrecourse" line on the K-1 should include the Partner's share of all nonrecourse debt on real property. The "Qualified Nonrecourse Financing" line should include the Partner's share of qualified nonrecourse financing. Debt included as qualified nonrecourse should not also be included on the nonrecourse line.

Recourse liabilities, which represent all other liabilities, are allocated solely to the general partners based on their loss-sharing ratios unless the liabilities are recourse to the limited partner. The improper allocation of recourse and nonrecourse debt on the K-1's will cause a misstatement of tax basis to a specific partner, which may result in loss limitations. The "Other" line on the K-1 should include the Partner's share of recourse liabilities.

SCHEDULE M-3 (Form 1065)

Department of the Treasury
Internal Revenue Service

Net Income (Loss) Reconciliation for Certain Partnerships

▶ Attach to Form 1065 or Form 1065-B.
▶ Go to *www.irs.gov/Form1065* for instructions and the latest information.

OMB No. 1545-0123

2017

Name of partnership	**Employer identification number**

This Schedule M-3 is being filed because (check all that apply):

A ☐ The amount of the partnership's total assets at the end of the tax year is equal to $10 million or more.

B ☐ The amount of the partnership's adjusted total assets for the tax year is equal to $10 million or more. If box B is checked, enter the amount of adjusted total assets for the tax year ________ .

C ☐ The amount of total receipts for the tax year is equal to $35 million or more. If box C is checked, enter the total receipts for the tax year ________ .

D ☐ An entity that is a reportable entity partner with respect to the partnership owns or is deemed to own an interest of 50 percent or more in the partnership's capital, profit, or loss, on any day during the tax year of the partnership.

Name of Reportable Entity Partner	Identifying Number	Maximum Percentage Owned or Deemed Owned

E ☐ Voluntary Filer.

Part I Financial Information and Net Income (Loss) Reconciliation

1a Did the partnership file SEC Form 10-K for its income statement period ending with or within this tax year?
☐ **Yes.** Skip lines 1b and 1c and complete lines 2 through 11 with respect to that SEC Form 10-K.
☐ **No.** Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.

b Did the partnership prepare a certified audited non-tax-basis income statement for that period?
☐ **Yes.** Skip line 1c and complete lines 2 through 11 with respect to that income statement.
☐ **No.** Go to line 1c.

c Did the partnership prepare a non-tax-basis income statement for that period?
☐ **Yes.** Complete lines 2 through 11 with respect to that income statement.
☐ **No.** Skip lines 2 through 3b and enter the partnership's net income (loss) per its books and records on line 4a.

2 Enter the income statement period: Beginning / / Ending / /

3a Has the partnership's income statement been restated for the income statement period on line 2?
☐ **Yes.** (If "Yes," attach a statement and the amount of each item restated.)
☐ **No.**

b Has the partnership's income statement been restated for any of the five income statement periods immediately preceding the period on line 2?
☐ **Yes.** (If "Yes," attach a statement and the amount of each item restated.)
☐ **No.**

4a	Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	**4a**	
b	Indicate accounting standard used for line 4a (see instructions). **1** ☐ GAAP **2** ☐ IFRS **3** ☐ Section 704(b) **4** ☐ Tax-basis **5** ☐ Other (Specify) ▶		
5a	Net income from nonincludible foreign entities (attach statement)	**5a**	( )
b	Net loss from nonincludible foreign entities (attach statement and enter as a positive amount)	**5b**	
6a	Net income from nonincludible U.S. entities (attach statement)	**6a**	( )
b	Net loss from nonincludible U.S. entities (attach statement and enter as a positive amount)	**6b**	
7a	Net income (loss) of other foreign disregarded entities (attach statement)	**7a**	
b	Net income (loss) of other U.S. disregarded entities (attach statement)	**7b**	
8	Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach statement)	**8**	
9	Adjustment to reconcile income statement period to tax year (attach statement)	**9**	
10	Other adjustments to reconcile to amount on line 11 (attach statement)	**10**	
11	**Net income (loss) per income statement of the partnership.** Combine lines 4a through 10	**11**	

Note: Part I, line 11 must equal Part II, line 26, column (a) or Schedule M-1, line 1 (see instructions).

12 Enter the total amount (not just the partnership's share) of the assets and liabilities of all entities included or removed on the following lines:

		Total Assets	Total Liabilities
a	Included on Part I, line 4		
b	Removed on Part I, line 5		
c	Removed on Part I, line 6		
d	Included on Part I, line 7		

For Paperwork Reduction Act Notice, see the instructions for your return. Cat. No. 39669D **Schedule M-3 (Form 1065) 2017**

Name of partnership | **Employer identification number**

Part II **Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return**

	Income (Loss) Items	**(a)** Income (Loss) per Income Statement	**(b)** Temporary Difference	**(c)** Permanent Difference	**(d)** Income (Loss) per Tax Return
	Attach statements for lines 1 through 10.				
1	Income (loss) from equity method foreign corporations				
2	Gross foreign dividends not previously taxed . . .				
3	Subpart F, QEF, and similar income inclusions . .				
4	Gross foreign distributions previously taxed . . .				
5	Income (loss) from equity method U.S. corporations				
6	U.S. dividends				
7	Income (loss) from U.S. partnerships				
8	Income (loss) from foreign partnerships				
9	Income (loss) from other pass-through entities . .				
10	Items relating to reportable transactions				
11	Interest income (see instructions)				
12	Total accrual to cash adjustment				
13	Hedging transactions				
14	Mark-to-market income (loss)				
15	Cost of goods sold (see instructions)	( )			( )
16	Sale versus lease (for sellers and/or lessors) . . .				
17	Section 481(a) adjustments				
18	Unearned/deferred revenue				
19	Income recognition from long-term contracts . . .				
20	Original issue discount and other imputed interest .				
21a	Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities .				
b	Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c	Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d	Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses .				
e	Abandonment losses				
f	Worthless stock losses (attach statement)				
g	Other gain/loss on disposition of assets other than inventory				
22	Other income (loss) items with differences (attach statement)				
23	**Total income (loss) items.** Combine lines 1 through 22				
24	**Total expense/deduction items.** (From Part III, line 31) (see instructions)				
25	Other items with no differences				
26	**Reconciliation totals.** Combine lines 23 through 25				

Note: Line 26, column (a), must equal Part I, line 11, and column (d) must equal Form 1065, Analysis of Net Income (Loss), line 1.

Name of partnership	Employer identification number

Part III **Reconciliation of Net Income (Loss) per Income Statement of Partnership With Income (Loss) per Return—Expense/Deduction Items**

	Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	State and local current income tax expense . . .				
2	State and local deferred income tax expense . . .				
3	Foreign current income tax expense (other than foreign withholding taxes)				
4	Foreign deferred income tax expense				
5	Equity-based compensation				
6	Meals and entertainment				
7	Fines and penalties				
8	Judgments, damages, awards, and similar costs . .				
9	Guaranteed payments				
10	Pension and profit-sharing				
11	Other post-retirement benefits				
12	Deferred compensation				
13	Charitable contribution of cash and tangible property				
14	Charitable contribution of intangible property . . .				
15	Organizational expenses as per Regulations section 1.709-2(a)				
16	Syndication expenses as per Regulations section 1.709-2(b)				
17	Current year acquisition/reorganization investment banking fees				
18	Current year acquisition/reorganization legal and accounting fees				
19	Amortization/impairment of goodwill				
20	Amortization of acquisition, reorganization, and start-up costs				
21	Other amortization or impairment write-offs . . .				
22	Reserved				
23a	Depletion—Oil & Gas				
b	Depletion—Other than Oil & Gas				
24	Intangible drilling & development costs				
25	Depreciation				
26	Bad debt expense				
27	Interest expense (see instructions)				
28	Purchase versus lease (for purchasers and/ or lessees)				
29	Research and development costs				
30	Other expense/deduction items with differences (attach statement)				
31	**Total expense/deduction items.** Combine lines 1 through 30. Enter here and on Part II, line 24, reporting positive amounts as negative and negative amounts as positive				

Form **8825** (Rev. November 2018) Department of the Treasury Internal Revenue Service

Rental Real Estate Income and Expenses of a Partnership or an S Corporation

▶ Attach to Form 1065 or Form 1120S.

▶ Go to *www.irs.gov/Form8825* for the latest information.

OMB No. 1545-0123

Name	Employer identification number

1 Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions. See page 2 to list additional properties.

	Physical address of each property—street, city, state, ZIP code	Type—Enter code 1–8; see page 2 for list	Fair Rental Days	Personal Use Days
A				
B				
C				
D				

		Properties A	B	C	D
Rental Real Estate Income					
2 Gross rents	2				
Rental Real Estate Expenses					
3 Advertising	3				
4 Auto and travel	4				
5 Cleaning and maintenance	5				
6 Commissions	6				
7 Insurance	7				
8 Legal and other professional fees	8				
9 Interest (see instructions)	9				
10 Repairs	10				
11 Taxes	11				
12 Utilities	12				
13 Wages and salaries	13				
14 Depreciation (see instructions)	14				
15 Other (list) ▶	15				
16 Total expenses for each property. Add lines 3 through 15	16				
17 Income or (loss) from each property. Subtract line 16 from line 2	17				

18a Total gross rents. Add gross rents from line 2, columns A through H	18a	
b Total expenses. Add total expenses from line 16, columns A through H	18b	( )
19 Net gain (loss) from Form 4797, Part II, line 17, from the disposition of property from rental real estate activities	19	
20a Net income (loss) from rental real estate activities from partnerships, estates, and trusts in which this partnership or S corporation is a partner or beneficiary (from Schedule K-1)	20a	
b Identify below the partnerships, estates, or trusts from which net income (loss) is shown on line 20a. Attach a schedule if more space is needed.		
(1) Name **(2)** Employer identification number		
21 Net rental real estate income (loss). Combine lines 18a through 20a. Enter the result here and on: • **Form 1065 or 1120S:** Schedule K, line 2	21	

For Paperwork Reduction Act Notice, see instructions. Cat. No. 10136Z Form **8825** (Rev. 11-2018)

1	Show the type and address of each property. For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions.			
	Physical address of each property—street, city, state, ZIP code	Type—Enter code 1–8; see below for list	Fair Rental Days	Personal Use Days
E				
F				
G				
H				

			Properties			
	Rental Real Estate Income		E	F	G	H
2	Gross rents	2				
	Rental Real Estate Expenses					
3	Advertising	3				
4	Auto and travel	4				
5	Cleaning and maintenance	5				
6	Commissions	6				
7	Insurance	7				
8	Legal and other professional fees	8				
9	Interest (see instructions)	9				
10	Repairs	10				
11	Taxes	11				
12	Utilities	12				
13	Wages and salaries	13				
14	Depreciation (see instructions)	14				
15	Other (list) ▶	15				
16	Total expenses for each property. Add lines 3 through 15	16				
17	Income or (loss) from each property. Subtract line 16 from line 2	17				

Allowable Codes for Type of Property

1—Single Family Residence
2—Multi-Family Residence
3—Vacation or Short-Term Rental
4—Commercial
5—Land
6—Royalties
7—Self-Rental
8—Other (include description with the code on Form 8825 or on a separate statement)

General Instructions

Section references are to the Internal Revenue Code.

Future Developments

For the latest information about developments related to Form 8825 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/Form8825*.

Which Version To Use

Use this November 2018 revision of Form 8825 for tax years beginning in 2018 or later, until a later revision is issued. Use prior revisions of this form for earlier tax years. All revisions are available at *www.irs.gov/Form8825*.

What's New

• The Tax Reform Act of 2017 amended section 163(j) to reflect a limitation on business interest expense. For tax years beginning after December 31, 2017, business interest expense may be limited for certain taxpayers. See the instructions for line 9.

• The Bipartisan Budget Act of 2015 repealed the electing large partnership rules for tax years beginning after 2017. As a result, the references to Form 1065-B, U.S. Return of Income for Electing Large Partnerships, were removed.

Purpose of Form

Partnerships and S corporations use Form 8825 to report income and deductible expenses from rental real estate activities, including net income (loss) from rental real estate activities that flow through from partnerships, estates, or trusts.

Before completing this form, be sure to read the following.

• *Passive Activity Limitations* in the instructions for Form 1065 or Form 1120S, especially for the definition of "rental activity."

• *Extraterritorial Income Exclusion* in the instructions for Form 1065 or 1120S.

Specific Instructions

Form 8825 provides space for up to eight properties. If there are more than eight properties, attach additional Forms 8825.

The number of columns to be used for reporting income and expenses on this form may differ from the number of rental real estate activities the partnership or S corporation has for purposes of the passive activity limitations. For example, a partnership owns two apartment buildings, each located in a different city. For purposes of the passive activity limitations, the partnership grouped both buildings into a single activity. Although the partnership has only one rental real estate activity for purposes of the passive activity limitations, it must report the income and deductions for each building in separate columns.

However, if the partnership or S corporation has more than one rental real estate activity for purposes of the passive activity limitations, attach a statement to Schedule K that reports the net income (loss) for each separate activity. Also, attach a statement to each Schedule K-1 that reports each partner's or shareholder's share of the net income (loss) by separate activity. See *Passive Activity Reporting Requirements* in the instructions for Form 1065 or Form 1120S for additional information that must be provided for each activity.

Complete lines 1 through 17 for each property. But complete lines 18a through 21 on only one Form 8825. The figures on lines 18a and 18b should be the combined totals for all forms.

Do not report on Form 8825 any of the following.

• Income or deductions from a trade or business activity or a rental activity other than rental real estate. These items are reported elsewhere.

• Portfolio income or deductions.

• Section 179 expense deduction.

• Other items that must be reported separately to the partners or shareholders.

• Commercial revitalization deductions.

Line 1. For each property, give the street address, city or town, and zip code. If the property is located outside the United States, give the postal code and country. Specify the type of property by entering one of the following codes in the "Type" column.

Codes

1—Single Family Residence

2—Multi-Family Residence

3—Vacation or Short-Term Rental

4—Commercial

5—Land

6—Royalties

7—Self-Rental

8—Other (include description with the code on Form 8825 or on a separate statement)

For each property, enter the number of days rented at fair rental value and days with personal use. For details, see section 280A.

Line 9. Your interest expense may be limited. See the instructions for Form 8990, Business Interest Expense Limitation Under Section 163(j), for more information.

Line 14. The partnership or S corporation may claim a depreciation deduction each year for rental property (except for land, which is not depreciable). If the partnership or S corporation placed property in service during the current tax year or claimed depreciation on any vehicle or other listed property, complete and attach Form 4562, Depreciation and Amortization. See Form 4562 and its instructions to figure the depreciation deduction.

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 business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

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.

III. 704 (b) MINIMUM GAIN TEST

Minimum gain is the excess of nonrecourse liabilities which are secured by the partnership property over the adjusted tax basis of the property. The adjusted basis includes land, net depreciable property, and replacement or operating reserves secured by mortgages. If a loss allocation to the limited partner would cause its capital account to be further negative than its share of minimum gain, a reallocation of losses may be necessary. Recourse liabilities are those obligations for which a partner or member bears the risk of loss. If the General Partner or LLC managing member has made any guarantees on any nonrecourse mortgages and there is minimum gain, a loss reallocation may be necessary. ***CONTACT MHIC IF THIS SITUATION OCCURS.***

The Internal Revenue Service has issued final regulations for Section 704(b), Determination of Distributive Share and temporary regulations of Section 752, Treatment of Certain Liabilities have been issued. The rules prescribed under Section 704(b) limit the losses allocated to limited partners to their capital contribution plus their share of minimum gain.

The concept of minimum gain is a qualified income offset which satisfies the need for partnership allocations to have "substantial economic effect":

NORMAL ALLOCATIONS

- Allocations must have **substantial economic effect** (IRC §704(b)). Stated another way is that tax allocation must be a manner consistent with the actual economics of the partnership.
- The capital account of a limited partner/LLC member in a Real Estate partnership can go no further negative than his/her/its share of partnership **minimum gain** will bring them back to zero.
- Minimum gain is the excess of nonrecourse liabilities secured by partnership property over the adjusted basis of the collateral property.

PREEMPTIVE REALLOCATIONS

The change in minimum gain from beginning to end in a tax year is the nonrecourse deduction of a partnership. Complementarily, the difference between the net loss for the year and the nonrecourse deduction is the recourse deduction.

Under the safe harbor economic effect rules, a partner can not be allocated a recourse deduction that would result in the partner's capital account becoming negative, if that partner does not have an obligation to restore its negative capital account.

In certain highly capitalized real estate partnerships, initially there is no minimum gain because the basis of assets far exceeds the nonrecourse liabilities. There will be no minimum gain until depreciation on the assets decreases the basis on the asset and/or deferred interest on soft debt adds to the nonrecourse liabilities in amount sufficient to have nonrecourse liabilities exceed the basis of assets.

Until that time, there are definitionally no nonrecourse deductions. All partnership losses are, therefore, recourse deductions.

The danger comes when the recourse deductions allocated to the investor "burn through" the investor's capital account faster than the gap between assets and nonrecourse liabilities closes. The situation may result in a necessary reallocation of profits and losses.

The following exercise should be completed in order to highlight a potential 704(b) issue.

OPERATING PARTNERSHIP
Section 704(b) ALLOCATION TEST

PARTNERSHIP NAME ______________________________

PARTNER (ILP) NAME ______________________________

Prepared by Date ______________________________ Date __________

NOTE: 704b TEST IS NOT NECESSARY IF NET ILP ALLOCATION IS A GAIN

			20X1		20X2
1.	ILP% PROFIT SHARE	(Schd. K-1)			
2.	NONRECOURSE DEBT	(Schd. L)			
3.	ACCRUED INTEREST ON NR DEBT	(Schd. L)			
4.	BUILDING & OTHER DEPR. ASSETS	(Schd. L)			
5.	ACCUMULATED DEPRECIATION	(Schd. L)			
6.	LAND	(Schd. L)			
7.	REPLACEMENT RESERVES			****	
8.	ILP BEGINNING CAPITAL	(Schd. K-1)			
9.	ILP RENTAL LOSS AND OTHER DEDUCTIONS	(Schd. K-1)			
10.	ILP INTEREST AND OTHER INCOME AMOUNTS	(Schd. K-1)			

TEST 1 (CUMULATIVE TEST) **704b ISSUE = ILP Minimum Gain < Zero**

If a 704b issue occurs a loss reallocation may be required {See Test 2 below}

TOTAL MINIMUM GAIN	-	-	-	(Lines 2+3+5) - (Lines 4+6+7)
ILP MINIMUM GAIN	-	-	-	(Total Minimum Gain * ILP %)
ILP MINIMUM GAIN + CAPITAL	-	-	-	(ILP Minimum Gain) + (Lines 8+9+10)

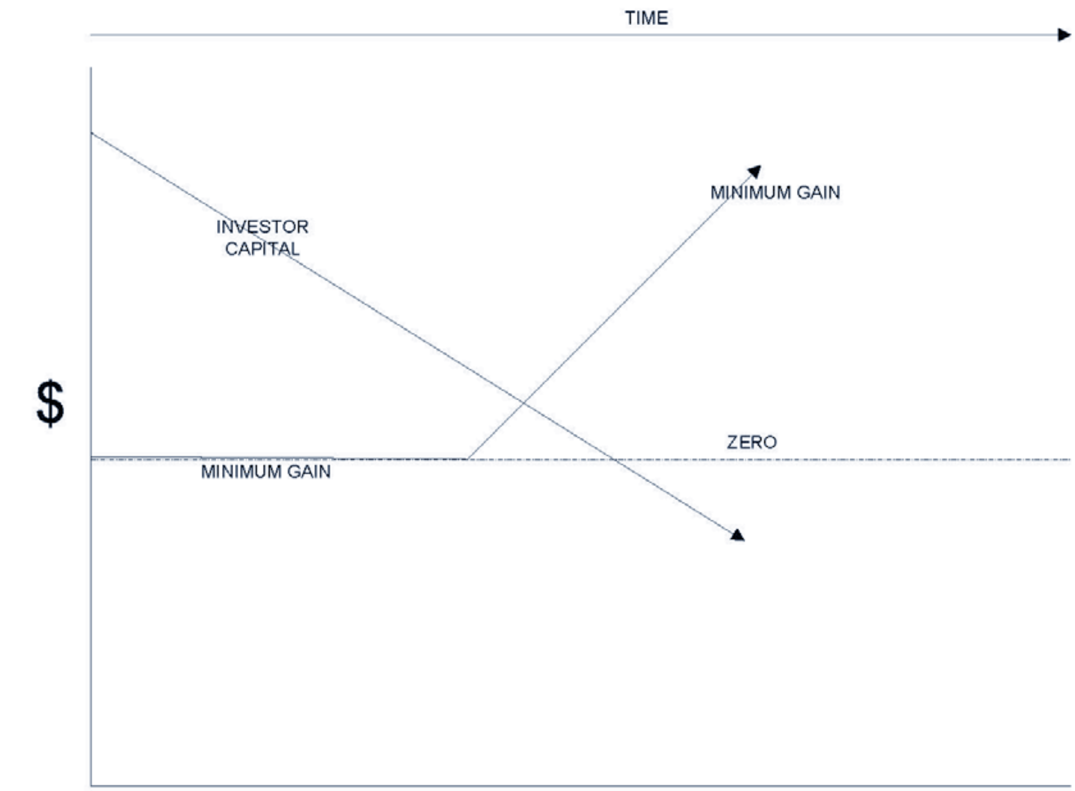
TEST 2 (CURRENT YEAR TEST) **704b ISSUE = (NR Deduction + 2012 Net Loss) < Zero**

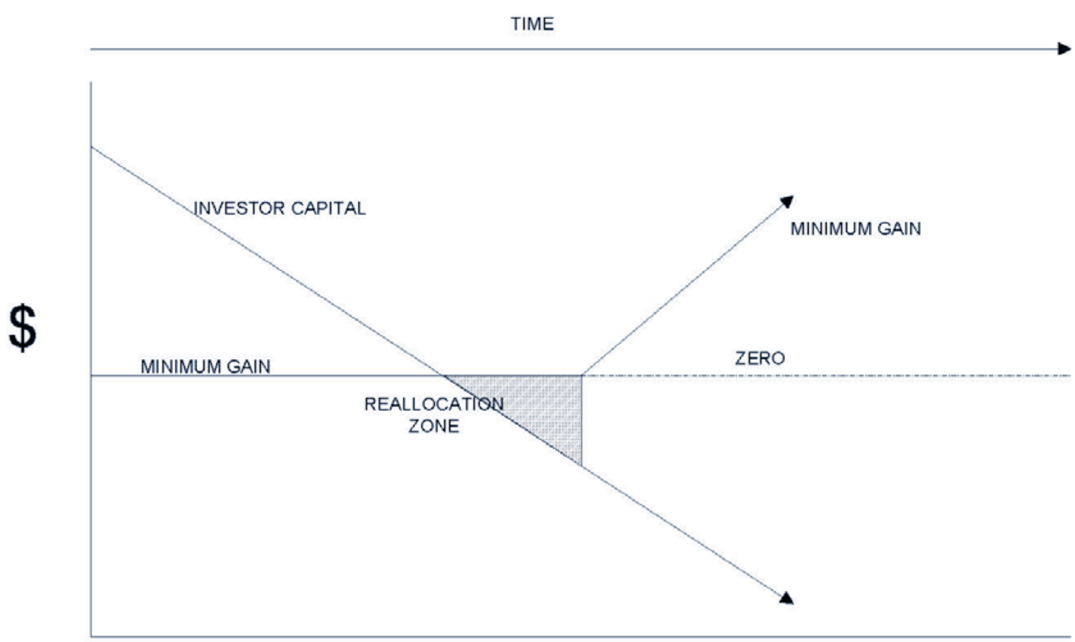
NON-RECOURSE DEDUCTION ALLOWED -	-	('12 Total Min. Gain) - ('11 Total Min. Gain)
2007 RENTAL LOSS AND OTHER DEDUCTIONS -	-	(Line 9)

If the Non-Recourse Deduction Allowed is greater than zero, there is no 704b issue.

IF THERE ARE INSUFFICIENT NON-RECOURSE DEDUCTIONS TO SUPPORT ALLOCATED LOSS - CONSIDER "PREEMPTIVE" REALLOCATION

MANAGE THE BURN





IV. EACH PARTNERSHIP SHOULD MAKE THE FOLLOWING ELECTIONS:

Initial Year Elections:

Rules on Business Start-Up Expenses
Part Deductible and Part Must be Amortized

Election for Start-up and Organization Costs

You may elect to deduct up to $10,000 in start-up/Organization Costs in the first year. The ability to deduct these costs phases out where total organization costs exceed $60,000 and no current deduction is allowed where organization costs are $60,000 or more. All Costs in excess of the $10,000 limit can be amortized over 180 months beginning with the month your new business begins operations. Prior to October 22, 2004, all start-up costs were amortized over 60 months with no first-year deduction.

Election to Ratably Accrue Real Property Taxes:

Pursuant to IRC Section 461(c), the Partnership Hereby Elects to Accrue Real Property Taxes.

Description of Trade, Business, or Investment Activity to Which Election Applies: Rental Real Estate

Method of Accounting Used for Above: Accrual

Property Tax Year to Which the Taxes Relate: Year Occurring Within Current Tax Year.

Computation of Deduction: Ratable Deduction of Estimated Tax Based on Last Assessment.

Election under Regulation 1.752-5(b):

The Partnership Elects, under Regulation 1.752-5(b), to Treat its Existing Liabilities According to the Provisions of Regulations 1.752-2 through 1.752-4.

See also the special elections for Master Tenant Structures

TAX ELECTIONS

Local Limited Partnership Name
EIN: ________________________
For the Tax Year Ended 12/31/1X
Form 1065

Section 709(b) Election

The above mentioned taxpayer hereby elects to amortize its organizational expenditures ratably over a period of One Hundred and Eighty (180) months as provided by Section 709(b) of the Internal Revenue Code of 1986 as amended.

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

Local Limited Partnership Name
EIN: ________________________
For the Tax Year Ended 12/31/1X
Form 1065

Statement Pursuant to IRC Section 195 (b)

Pursuant to Internal Revenue Code Section 195(b), the tax payer hereby elects to treat all start-up expenditures incurred as deferred expenses which shall be allowed as a deduction ratably over a period of One Hundred and Eighty (180) months.

Local Limited Partnership Name
EIN: ________________________
For the Tax Year Ended 12/31/1X
Form 1065

Year End Election of the Taxpayer

The taxpayer hereby elects pursuant to Internal Revenue Code Section 706 to use December 31st as the taxable year end. This is a majority interest year end.

Local Limited Partnership Name
EIN: ________________________
For the Tax Year Ended 12/31/1X
Form 1065

Election to adopt Recurring Item Exception to Economic Performance Requirements

The Taxpayer, pursuant to Internal Revenue Code Section 461, 461(h)(3)(A), and related Regulations and announcements, hereby elects to adopt the Recurring Item Exception with respect to all types of liability items and expenses incurred in its trade(s) or business(es).

The Taxpayer has liability and expenses which are recurring in nature, and are treated by the taxpayer on a consistent basis from year to year. If its accrual in the year before economic performance results in a more proper matching against income, than if it were accrued in the year of economic performance.

For Master Tenant Structures

Example of 50D Election

By Owner:

Election to Treat Lessee as Purchaser of Property Under IRC Section 50D

The Taxpayer, pursuant to IRC Section 50D and IRS Regulations 1.48-4 elects to treat the tenant (Master Tenant, LLC, EIN#----------) of the property located at _____________ as the purchaser of the property, which includes new Section 38 property eligible for the historic rehabilitation credit. The tenant's address is ____________________. The tenant took control of the property when it was placed in service on ________________. The property leased by the tenant includes:

Building	$______________	39-year life
Building Rehabilitation Costs	$______________	39-year life
Site Improvements	$______________	39-year life
Furniture and Fixtures	$______________	39-year life

By Master Tenant:

Election to Treat Lessee as Purchaser of Property Under IRC Section 50D

The Owner, LLC (EIN #_________), pursuant to IRC Section 50D and IRS Regulations 1.48-4 has elected to treat the Master Tenant, LLC which leases the property located at _____________ as the purchaser of the property, which includes new Section 38 property eligible for the historic rehabilitation credit. The Owner, LLC's address is ____________________. The Master Tenant, LLC took control of the property when it was placed in service on ________________. The property leased by the tenant includes:

Building	$______________	39-year life
Building Rehabilitation Costs	$______________	39-year life
Site Improvements	$______________	39-year life
Furniture and Fixtures	$______________	39-year life

Note: Consult Master Tenant Operating Agreement for Draft Election Document.

V. HISTORIC REHABILITATION TAX CREDITS

Many of the projects invested in by the MHIC NMTC Funds are also eligible to claim federal Historic Rehabilitation Tax Credit (HRTC). Operating partnerships claiming the HRTC pass those credits on to their respective MHIC Fund which in turn passes them on to fund investors. The HRTC is essentially a federal subsidy to finance the rehabilitation of qualifying historic structures. The HRTC is an investment tax credit which is included as a general business credit under IRC section 38. The HRTC is authorized under IRC section 47 and additional guidance can be found in Treasury Regulations sections 1.47, 1.48, and 1.50. The following outline is intended as general guidance only and the regulations should be consulted for more specific guidance.

5.01 Calculating the Credit. The HRTC is calculated by multiplying the applicable credit percentage by the amount of qualified rehabilitation expenditures (QRE) of a qualified rehabilitation building (QRB). The HRTC is calculated on IRS Form 3468 and aggregated with other general business credits on Form 3800. Historic tax credits are generally taken in the year in which the certificate (or temporary certificate) of occupancy is obtained for the building.

5.02 Types of Credit. There are two types of HRTC: 1) a 20% credit for certified historic structures (the 20% credit) and; 2) a 10% credit for other qualified rehabilitated buildings other than certified historic structures. A certified historic structure is a building located in the National Park Service's National Register (www.nps.gov) or is a qualified building located in a registered historic district and is certified by the Secretary of the Interior as being of "historic significance to the district". Buildings other than certified historic structures must have been originally placed in service before 1936.

5.03 Substantial Rehabilitation. To qualify for the HRTC, the rehabilitation must be "substantial" which means that QRE must amount to more than the greater of $5,000 or the adjusted basis of the building before the rehabilitation. These expenditures must be incurred over the course of a 24-month measuring period chosen by the taxpayer which must end no later than the last day of the tax year that the building is placed in service. Special rules apply for "phased" rehabilitations of projects which are generally larger in scope. Such phased rehabilitations qualify for the use of an alternate 60-month measuring period.

5.04 Qualified Rehabilitation Expenditures. QRE generally includes all capitalizable depreciable costs allowed under IRC section 168 for commercial and residential rental property that were incurred in connection with a substantial rehabilitation. The 24-month measurement period described in 5.03 is for determining the project's qualification as substantial rehabilitation only. Once that requirement is determined to be met, for purposes of calculating and claiming the HRTC, QRE includes all expenditures made from the first day of the tax year in which the 24-month period began to the last day of the tax year in which the 24-month ends. This effectively means that QRE may be aggregated over a period of three years unless a 24-month measuring period is chosen that ends with the last day of a tax year. QRE includes only rehabilitation costs and does not include acquisition costs, land. personal property, site work, and costs to build new buildings. The basis of qualified historic rehabilitation expenditures should be put on line 12b of Schedule K, and partners' Schedule K-1s.

5.05 Tax Exempt Use Property. Special rules apply for the exclusion of expenditures that otherwise would qualify as QRE that are associated with tax exempt use property. Tax exempt use property is property leased to a tax-exempt entity where the lease is greater than 20 years, the lease contains an option for the tax-exempt entity to purchase, or where the property is financed under a tax-exempt obligation. These requirements also extend to leases to partnerships or similar entities which have tax exempt partners.

Real property that is owned by partnerships having tax exempt entities (or subsidiaries of tax exempt entities) as partners and/or leased to a tax exempt entity in a disqualified lease is treated as tax exempt use. Any such tax exempt property may not be eligible for Historic Tax Credit and must be depreciated using the straight line method over the longer of 40 years or 125% of the lease term. However, section 168(h)(6)(F)(ii) provides that a tax-exempt controlled entity can elect not to be treated as such. Please refer to the partnership's tax opinion to see if this election must be made. If such election must be made, it must be done in the year that the project is Placed in Service.

5.06 Placed in Service. The date at which the building is ready for use. This term is not specifically defined in the IRC, however generally reasonable interpretations are inferred such as certificate of occupancy, etc.

5.07 Basis Reduction. The depreciable basis of the building as well as the partners' tax capital accounts must be reduced by the amount of any HRTC claimed. The historic credit should be put on Form 1065, Schedule M-2, line 7 and box J(d) of the partners' Schedule K-1s.

5.08 Recapture Rules. The HRTC must be totally or partially recaptured if within five years of the placed in service date the building is sold to new owners, or the use of the property is changed such that it is not consistent with the definition of investment credit property (i.e., personal use, etc), or it is taken out of service. Recapture is reduced by 20% on each anniversary of the original placed in service date such that no recapture is possible after five years. Recapture events, if any, are reported in the year of recapture on IRS Form 4255. The recaptured amount increases the basis of the building and the partners' capital accounts.

Other Practical Considerations:

- For the 20% credit, the National Park Service must certify the historic building rehabilitation both in the planning and final stages of rehabilitation.

- Though the QREs are generally made and claimed by the building owner, in some circumstances, expenditures incurred by others may also be claimed. For example, an IRS private letter ruling allowed for expenditures incurred by a not-for-profit organization before the not-for-profit contributed the building to a partnership which ultimately claimed the credit

- Developer fees are includible as QRE only to the extent that such services relate to rehabilitation. If the developer will provide substantial additional services (such as acquisition, relocation, rent-up, etc.), the developer agreement should be structured to specify the fees associated with rehabilitation

- Costs of enlargements of buildings do not qualify as QRE. Reasonable allocations of costs may be required to capture only rehabilitation costs as QRE. Wherever possible, the owner should ask vendors to supply allocation of costs associated with rehabilitations where enlargements of the existing building are involved

Special Consideration for Master Tenant Structures:

The HRTC associated with the rehabilitated property may also be claimed by a long-term lessor of the property in accordance with the provision of IRS Code Section 48. These so-called master tenant structures are commonly used where the rehabilitated property will be occupied by a tax-exempt entity which would otherwise preclude the property from claiming the HRTC. Key considerations include:

- The rehabilitated property must meet the requirements of IRS Code Section 38 in order to be treated as newly purchased original use property by the master tenant (also known as the building lessee)

- The term of the lease must exceed 80% of the recovery period of the leased property (31.2 years for commercial property)

- The basis and capital account reduction noted in section 5.07 does not apply to a building owner (lessor) which has passed the HRTC to a lessee. However, the master tenant must reduce its tax capital for the amount of HRTC taken.

- The master tenant must also include in its annual taxable income, a prorated portion of the HRTC it received from the building owner. This imputed income is calculated by dividing the HRTC by the tax depreciable life of the property (generally 39 years) in the hands of the owner and essentially offsets the excess depreciation taken by the building owner which was not required to reduce the tax basis of the property. If, at the time the building is disposed or the lease otherwise terminates, the excess remaining imputed

- income not previously recognized must be recognized by the master tenant in the year of the disposition or termination

- Special rules apply for "short-term leases" which are less than 80% of the property's recovery period in the hands of the building owner.

- Special elections must be made by both the building owner and the master tenant to facilitate the transfer of HRTC

VI. MASSACHUSETTS HISTORIC REHABILITATION TAX CREDITS

Background and Project Approval

Effective January, 2006, the Commonwealth of Massachusetts annually authorizes historic rehabilitation tax credits for the rehabilitation of historic places located in Massachusetts. The allocation and administration of the credits, as well as determination of qualifying structures, is overseen by the Massachusetts Historical Commission (MHC). Selection and certification of qualifying projects through MHC generally occurs through an application process and approval in three phases: initial certification, second certification and final certification. Initial certification means that MHC has certified that the project meets the definition of a qualified historic structure. A second certification is issued to chosen projects prior to construction by MHC certifying that, if completed as proposed, the project will meet the standards required for final certification. A second certification may also be issued during or after construction. Final certification is issued by MHC when it is satisfied that construction is complete and that costs are consistent with the work completed.

Tax Aspects

Tax and other technical requirements related to qualifying properties, credit-worthy expenditures, and credit calculations generally follow the guidance for Federal HRTC projects as established by the U. S. Department of the Interior and the IRS with some notable exceptions summarized below. Please also see the summarized IRS guidance in Section V of this manual. Additional information concerning these credits, including applications and tax regulations can be found at www.sec.state.ma.us/mhc/mhctax/taxidx.htm.

VI. MASSACHUSETTS HISTORIC REHABILITATION TAX CREDITS

(Continued)

Following is a discussion of areas where Massachusetts regulations differ from the Federal regulations as well as information concerning claiming of the credit:

6.01 **Substantial Rehabilitation –** For Massachusetts credits, a project qualifies as a substantial rehabilitation when the qualified rehabilitation expenditures incurred during the 24-month period selected by the project owner exceed 25% of the project owner's basis in the project at the start of the 24-month period. See Section 5.03 for a discussion of the Federal rules for substantial rehabilitation.

6.02 **Calculation of the Credit –** Unlike the Federal credits, the Massachusetts credits are allocated in fixed dollar amounts to chosen projects by MHC, similar to the allocation of Low Income Housing Tax Credits. The fixed allocation of credits is translated into a percentage of the project's expected QRE. This percentage may not exceed 20%. Credit certificates are issued by MHC to completed projects on or after final certification of the project

6.03 **Transfers of the Credit –** Credits may be freely transferred by the initial awardee to other transferees once the chosen project has become a completed project. The credit transferee is **not** required to take an ownership interest in the project or the entity that owns the project. Transfer of the credit must be documented by proposed contract and filed with the Department of Revenue in advance of the transfer. The executed contract must also be filed with DOR within 30 days of the completed transfer.

6.04 **Claiming the Credit –** Credits may be claimed against Massachusetts income or excise tax beginning with the tax year a chosen project becomes a completed project. The credits are non-refundable and may be carried forward a maximum of 5 years following the initial year in which the credit may be claimed. The credit is not subject to a 50% limitation, but may not reduce excise taxes below the statutory minimum excise limitation, currently $456.

6.05 **Allocation of Credits –** Credits issued or transferred to a partnership or limited liability company reporting as a partnership may be allocated among partners/members in any manner agreed to and documented by the partners/members. The allocation need not

6.06 follow any pattern of economic risk shared by the partners or allocation of other benefits within the partnership.

6.07 **Credit Recapture –** Recapture of the credit is triggered if the project owner disposes of its interest in the project within 5 years from the date of project completion. Recapture applies only to taxpayers with an ownership interest in the project at project completion. Recapture **does not** apply to transferees. Recapture is computed by multiplying the credit awarded by a fraction of the remaining number of months in the 5-year holding period divided by 60. Prorated recapture is also calculated where a project owner disposes of only a portion of its ownership interest. Where the entire credit has been claimed in a preceding year, credit recapture is taken account by increasing the tax liability of the year of recapture by the recapture amount.

VI. MASSACHUSETTS HISTORIC REHABILITATION TAX CREDITS

(Continued)

Other Practical Considerations:

- Because of the free transferability of the credit and the lack of ownership requirements, the entity ultimately claiming the credit may or may not have an interest in the entity owning the project. Where the credits have been purchased by an outside transferee, the project owner likely has no tax reporting requirement on its annual filed Massachusetts Form 3. See also section 6.03.

- For projects where the credit will be distributed through a partnership, be sure to allocate them according to special allocations agreed to by the partners. Credits should be recorded on line 5g of the receiving partner's Form SK-1.

- There is no requirement to adjust the depreciable basis of property or any partner capital account for the value of credits claimed.

Form **3468**

Department of the Treasury
Internal Revenue Service (99)

Investment Credit

► Attach to your tax return.

► Go to *www.irs.gov/Form3468* for instructions and the latest information.

OMB No. 1545-0155

2017

Attachment
Sequence No. **174**

Name(s) shown on return | **Identifying number**

Part I Information Regarding the Election To Treat the Lessee as the Purchaser of Investment Credit Property

If you are claiming the investment credit as a lessee based on a section 48(d) (as in effect on November 4, 1990) election, provide the following information. If you acquired more than one property as a lessee, attach a statement showing the information below.

1 Name of lessor

2 Address of lessor

3 Description of property

4 Amount for which you were treated as having acquired the property . . . . ► $

Part II Qualifying Advanced Coal Project Credit, Qualifying Gasification Project Credit, and Qualifying Advanced Energy Project Credit

5	Qualifying advanced coal project credit (see instructions):				
a	Qualified investment in integrated gasification combined cycle property placed in service during the tax year for projects described in section 48A(d)(3)(B)(i) . . . . $ × 20% (0.20)	**5a**			
b	Qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(ii) . . . . . $ × 15% (0.15)	**5b**			
c	Qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(iii) . . . . . $ × 30% (0.30)	**5c**			
d	Total. Add lines 5a, 5b, and 5c			**5d**	
6	Qualifying gasification project credit (see instructions):				
a	Qualified investment in qualified gasification property placed in service during the tax year for which credits were allocated or reallocated after October 3, 2008, and that includes equipment that separates and sequesters at least 75% of the project's carbon dioxide emissions . . . . $ × 30% (0.30)	**6a**			
b	Qualified investment in property other than in **a** above placed in service during the tax year . . . . $ × 20% (0.20)	**6b**			
c	Total. Add lines 6a and 6b			**6c**	
7	Qualifying advanced energy project credit (see instructions): Qualified investment in advanced energy project property placed in service during the tax year . . . . $ × 30% (0.30)			**7**	
8	Reserved for future use			**8**	
9	Enter the applicable unused investment credit from cooperatives (see instructions)			**9**	
10	Add lines 5d, 6c, 7, and 9. Report this amount on Form 3800, Part III, line 1a			**10**	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 12276E Form **3468** (2017)

Part III Rehabilitation Credit and Energy Credit

11		Rehabilitation credit (see instructions for requirements that must be met):		
	a	Check this box if you are electing under section 47(d)(5) to take your qualified rehabilitation expenditures into account for the tax year in which paid (or, for self-rehabilitated property, when capitalized). See instructions. **Note:** This election applies to the current tax year and to all later tax years. You may not revoke this election without IRS consent . . . . ▶ ☐		
	b	Enter the dates on which the 24- or 60-month measuring period begins ______ and ends ______		
	c	Enter the adjusted basis of the building as of the beginning date above (or the first day of your holding period, if later) . . . . $______		
	d	Enter the amount of the qualified rehabilitation expenditures incurred, or treated as incurred, during the period on line 11b above . . . . . . $______		
		Enter the amount of qualified rehabilitation expenditures and multiply by the percentage shown:		
	e	Pre-1936 buildings (see instructions) . . . . $______ × 10% (0.10)	11e	
	f	Certified historic structures (see instructions) . . . . . $______ × 20% (0.20)	11f	
		For properties identified on line 11f, complete lines 11g and 11h.		
	g	Enter the assigned NPS project number or the pass-through entity's employer identification number (see instructions) . . . . ______		
	h	Enter the date that the NPS approved the Request for Certification of Completed Work (see instructions) . . . . ______		
	i	Rehabilitation credit from an electing large partnership (Schedule K-1 (Form 1065-B), box 9) . .	11i	
12		Energy credit:		
	a	Basis of property using geothermal energy placed in service during the tax year (see instructions) . . . . $______ × 10% (0.10)	12a	
	b	Basis of property using solar illumination or solar energy placed in service during the tax year that was acquired after December 31, 2005, and the basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005 (see instructions) $______ × 30% (0.30)	12b	
		Qualified fuel cell property (see instructions):		
	c	Basis of property placed in service during the tax year that was acquired after December 31, 2005, and before October 4, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005, and before October 4, 2008 $______ × 30% (0.30)	12c	
	d	Applicable kilowatt capacity of property on line 12c (see instructions) ▶ ______ × $1,000	12d	
	e	Enter the lesser of line 12c or line 12d	12e	
	f	Basis of property placed in service during the tax year that was acquired after October 3, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008 . . . . $______ × 30% (0.30)	12f	
	g	Applicable kilowatt capacity of property on line 12f (see instructions) ▶ ______ × $3,000	12g	
	h	Enter the lesser of line 12f or line 12g	12h	
		Qualified microturbine property (see instructions):		
	i	Basis of property placed in service during the tax year that was acquired after December 31, 2005, and the basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005 . . . . $______ × 10% (0.10)	12i	
	j	Kilowatt capacity of property on line 12i . . . . ▶ ______ × $200	12j	
	k	Enter the lesser of line 12i or line 12j	12k	

Form 3468 (2017)

Part III Rehabilitation Credit and Energy Credit *(continued)*

	Combined heat and power system property (see instructions): **Caution:** You cannot claim this credit if the electrical capacity of the property is more than 50 megawatts or 67,000 horsepower.		
l	Basis of property placed in service during the tax year that was acquired after October 3, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008 . . . $______ × 10% (0.10)	12l	
m	If the electrical capacity of the property is measured in: • Megawatts, divide 15 by the megawatt capacity. Enter 1.0 if the capacity is 15 megawatts or less. • Horsepower, divide 20,000 by the horsepower. Enter 1.0 if the capacity is 20,000 horsepower or less . . .	12m	.
n	Multiply line 12l by line 12m . . .	12n	
	Qualified small wind energy property (see instructions):		
o	Basis of property placed in service during the tax year that was acquired after October 3, 2008, and before January 1, 2009, and the basis attributable to the construction, reconstruction, or erection by the taxpayer after October 3, 2008, and before January 1, 2009 . . . $______ × 30% (0.30)	12o	
p	Enter the smaller of line 12o or $4,000 . . .	12p	
q	Basis of property placed in service during the tax year that was acquired after December 31, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2008 . . . $______ × 30% (0.30)	12q	
	Geothermal heat pump systems (see instructions):		
r	Basis of property placed in service during the tax year that was acquired after October 3, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008 . . . $______ × 10% (0.10)	12r	
	Qualified investment credit facility property (see instructions):		
s	Basis of property (other than wind facility property and the construction of which began after 2016) placed in service during the tax year . . . $______ × 30% (0.30)	12s	
t	Basis of wind facility property placed in service during the tax year and the construction of which begins during 2017 . . . $______ × 24% (0.24)	12t	
u	Basis of wind facility property placed in service during the tax year and the construction of which begins during 2018 . . . $______ × 18% (0.18)	12u	
13	Enter the applicable unused investment credit from cooperatives (see instructions) . . .	13	
14	Add lines 11e, 11f, 11i, 12a, 12b, 12e, 12h, 12k, 12n, 12p, 12q, 12r, 12s, 12t, 12u, and 13. Report this amount on Form 3800, Part III, line 4a . . .	14	

2017 Instructions for Form 3468

Department of the Treasury
Internal Revenue Service

Investment Credit

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

Future Developments

For the latest information about developments related to Form 3468 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form3468*.

What's New

The reporting requirements for certified historic structures have been clarified for pass-through entities and lessors. All pass-through entities allocating qualified rehabilitation expenditures for a certified historic structure will complete and attach Form 3468 to its return. In addition, lessors who elected to treat the lessee as the purchaser of a certified historic structure will provide the lessee with the information needed to complete lines 11g and 11h.

The Protecting Americans from Tax Hikes Act of 2015 has implemented the phasing out of the investment credit for wind facilities. The credit for wind facilities is reduced by 40% for facilities the construction of which begins in 2018.

The Tax Cuts and Jobs Act of 2017 repealed the 10% credit for pre-1936 buildings for amounts paid or incurred after December 31, 2017. The Act retains the 20% credit for qualified rehabilitation expenditures with respect to a certified historic structure, with the modification that the qualified rehabilitation expenditures generally are allowed ratably during the 5-year period beginning in the tax year in which the qualified rehabilitated building is placed in service. See the transitional rule under *Line 11* for exceptions.

The Bipartisan Budget Act of 2018 has extended the investment credit for the following energy properties, the construction of which begins before January 1, 2022:

- Solar illumination,
- Qualified fuel cell,
- Qualified microturbine,
- Combined heat and power system,
- Qualified small wind, and
- Geothermal heat pump.

The Act also provides for future phase-out of the investment credit for qualified fuel cell property, qualified small wind energy property, and fiber-optic solar property.

General Instructions

Purpose of Form

Use Form 3468 to claim the investment credit. The investment credit consists of the rehabilitation, energy, qualifying advanced coal project, qualifying gasification project, and qualifying advanced energy project credits. If you file electronically, you must send in a paper Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, if attachments are required to Form 3468.

Investment Credit Property

Investment credit property is any depreciable or amortizable property that qualifies for the rehabilitation credit, energy credit, qualifying advanced coal project credit, qualifying gasification project credit, or qualifying advanced energy project credit.

You can't claim a credit for property that is:

- Used mainly outside the United States (except for property described in section 168(g)(4));
- Used by a governmental unit or foreign person or entity (except for a qualified rehabilitated building leased to that unit, person, or entity; and property used under a lease with a term of less than 6 months);
- Used by a tax-exempt organization (other than a section 521 farmers' cooperative) unless the property is used mainly in an unrelated trade or business or is a qualified rehabilitated building leased by the organization;
- Used for lodging or in the furnishing of lodging (see section 50(b)(2) for exceptions); or
- Certain MACRS business property to the extent it has been expensed under section 179 of the Internal Revenue Code.

Qualified Progress Expenditures

Qualified progress expenditures are those expenditures made before the property is placed in service and for which the taxpayer has made an election to treat the expenditures as progress expenditures. Qualified progress expenditure property is any property that is being constructed by or for the taxpayer and which (a) has a normal construction period of two years or more, and (b) it is reasonable to believe that the property will be new investment credit property in the hands of the taxpayer when it is placed in service. The placed in service requirement doesn't apply to qualified progress expenditures.

Qualified progress expenditures for:

- Self-constructed property means the amount that is properly chargeable (during the tax year) to a capital account with respect to that property; or
- Non-self-constructed property means the lesser of: (a) the amount paid (during the tax year) to another person for the construction of the property, or (b) the amount that represents the proportion of the overall cost to the taxpayer of the construction by the other person which is properly attributable to that portion of the construction which is completed during the tax year.

For more information on qualified progress expenditures, see section 46(d) (as in effect on November 4, 1990). For details on qualified progress expenditures for the rehabilitation credit, see section 47(d).

At-Risk Limit for Individuals and Closely Held Corporations

The cost or basis of property for investment credit purposes may be limited if you borrowed against the property and are protected against loss, or if you borrowed money from a person who is related or who has an interest (other than as a creditor) in the business activity. The cost or basis must be reduced by the amount of the nonqualified nonrecourse financing related to the property as of the close of the tax year in which the property is placed in service. If, at the close of a tax year following the year property was placed in service, the nonqualified nonrecourse financing for any property has increased or decreased, then the credit base for the property changes accordingly. The changes

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may result in an increased credit or a recapture of the credit in the year of the change. See sections 49 and 465 for details.

Recapture of Credit

You may have to refigure the investment credit and recapture all or a portion of it if:

- You dispose of investment credit property before the end of 5 full years after the property was placed in service (recapture period);
- You change the use of the property before the end of the recapture period so that it no longer qualifies as investment credit property;
- The business use of the property decreases before the end of the recapture period so that it no longer qualifies (in whole or in part) as investment credit property;
- Any building to which section 47(d) applies will no longer be a qualified rehabilitated building when placed in service;
- Any property to which section 48(b), 48A(b)(3), 48B(b)(3), 48C(b)(2), or 48D(b)(4) applies will no longer qualify as investment credit property when placed in service;
- Before the end of the recapture period, your proportionate interest is reduced by more than one-third in an S corporation, partnership (other than an electing large partnership), estate, or trust that allocated the cost or basis of property to you for which you claimed a credit;
- You return leased property (on which you claimed a credit) to the lessor before the end of the recapture period;
- A net increase in the amount of nonqualified nonrecourse financing occurs for any property to which section 49(a)(1) applied;
- A grant under section 1603 of the American Recovery and Reinvestment Tax Act of 2009 was made for section 48 property for which a credit was allowed for progress expenditures before the grant was made. Recapture is applicable to those amounts previously included in the qualified basis for an energy credit, including progress expenditures, that are also the basis for the 1603 grant; or
- A grant under section 9023 of the Patient Protection and Affordable Care Act was made for investment for which a credit was determined under section 48D before the grant was made.

Exceptions to recapture. Recapture of the investment credit doesn't apply to any of the following.

1. A transfer due to the death of the taxpayer.
2. A transfer between spouses or incident to divorce under section 1041. However, a later disposition by the transferee is subject to recapture to the same extent as if the transferor had disposed of the property at the later date.
3. A transaction to which section 381(a) applies (relating to certain acquisitions of the assets of one corporation by another corporation).
4. A mere change in the form of conducting a trade or business if:

a. The property is retained as investment credit property in that trade or business, and

b. The taxpayer retains a substantial interest in that trade or business.

A mere change in the form of conducting a trade or business includes a corporation that elects to be an S corporation and a corporation whose S election is revoked or terminated.

For more information, see the Instructions for Form 4255.

CAUTION *See section 46(g)(4) (as in effect on November 4, 1990), and related regulations, if you made a withdrawal from a capital construction fund set up under the Merchant Marine Act of 1936 to pay the principal of any debt incurred in connection with a vessel on which you claimed investment credit.*

Any required recapture is reported on Form 4255. For details, see Form 4255, Recapture of Investment Credit.

Specific Instructions

CAUTION *Generally, (a) an estate or trust whose entire qualified rehabilitation expenditures or bases in energy property are allocated to beneficiaries, (b) an S corporation, or (c) a partnership (other than an electing large partnership) does not have to complete and attach Form 3468 to its tax return. However, if the estate or trust, S corporation, or partnership is the owner of or passing through qualified rehabilitation expenditures for a certified historic structure, the entity must complete lines 11g and 11h of the form and attach it to its tax return even if the credit is not being claimed by the entity. See* Shareholders of S Corporations, Partners of Partnerships, and Beneficiaries of Estates and Trusts *below for information that the entity must provide when allocating the credit.*

Shareholders of S Corporations, Partners of Partnerships, and Beneficiaries of Estates and Trusts

If you are a shareholder, partner (other than a partner in an electing large partnership), or beneficiary of the designated pass-through entity, the entity will provide to you the information necessary to complete the following.

- The qualified investment in qualifying advanced coal project property for lines 5a through 5c.
- The qualified investment in qualifying gasification project property for lines 6a and 6b.
- The qualified investment in qualifying advanced energy project property for line 7.
- The information for lines 11b through 11f and 11i for the rehabilitation credit.
- The basis of energy property for lines 12a, 12b, 12c, 12f, 12i, 12l, 12o, 12q, 12r, 12s, 12t, and 12u.
- The kilowatt capacity for lines 12d, 12g, and 12j.
- The megawatt capacity or horsepower for line 12m.
- Lines 1 through 4 and lines 11g and 11h, if the lessor has elected to treat the lessee as having acquired the property.

Part I. Information Regarding the Election To Treat the Lessee as the Purchaser of Investment Credit Property

Generally, for purposes of eligibility for and figuring the amount of the investment credit, a lessor of property may elect to treat the lessee as having acquired the property. Once the election is made, the lessee will be entitled to an investment credit for that property for the tax year in which the property is placed in service and the lessor will generally not be entitled to such a credit.

If the leased property is disposed of, or otherwise ceases to be investment credit property, the property will generally be subject to the recapture rules for early dispositions.

The lessor will provide the lessee with all the information needed to complete lines 11g and 11h, if applicable.

For information on making the election, see section 48(d) (as in effect on November 4, 1990) and related regulations. For limitations, see sections 46(e)(3) and 48(d) (as in effect on November 4, 1990).

Line 2

Enter the lessor's full address. Enter the address of the lessor's principal office or place of business. Include the suite, room, or other unit number after the street address. If the post office doesn't deliver mail to the street address and the lessor has a P.O. box, show the box number instead.

Do not use the address of the registered agent for the state in which the lessor is incorporated. For example, if a business is incorporated in Delaware or Nevada and the lessor's principal place of business is located in Little Rock, AR, you should enter the Little Rock address.

If the lessor receives its mail in care of a third party (such as an accountant or attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

Qualifying Advanced Coal Project Credit

A qualifying advanced coal project is a project that:

- Uses advanced coal-based generation technology (as defined in section 48A(f)) to power a new electric generation unit or to refit or repower an existing electric generation unit (including an existing natural gas-fired combined cycle unit);
- Has fuel input which, when completed, will be at least 75% coal;
- Has an electric generation unit or units at the site that will generate at least 400 megawatts;
- Has a majority of the output that is reasonably expected to be acquired or utilized;
- Is to be constructed and operated on a long-term basis when the taxpayer provides evidence of ownership or control of a site of sufficient size;
- Will be located in the United States; and
- Includes equipment that separates and sequesters at least 65% (70% in the case of an application for reallocated credits) of the project's total carbon dioxide emissions for project applications described in section 48A(d)(2)(A)(ii).

Basis. Qualified investment for any tax year is the basis of eligible property placed in service by the taxpayer during the tax year which is part of a qualifying advanced coal project. Eligible property is limited to property which can be depreciated or amortized and which was constructed, reconstructed, or erected and completed by the taxpayer; or which is acquired by the taxpayer if the original use of such property commences with the taxpayer.

Basis reduction for certain financing. If property is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, the amount that you can claim as basis is the basis that would otherwise be allowed multiplied by a fraction that is 1 reduced by a second fraction, the numerator of which is that portion of the basis allocable to such financing or proceeds, and the denominator of which is the basis of the property. For example, if the basis of the property is $100,000 and the portion allocable to such financing or proceeds is $20,000, the fraction of the basis that you may claim the credit on is ⁴⁄₅ (that is, 1 minus $20,000/$100,000). Subsidized energy financing means financing provided under a federal, state, or local program, a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

Line 5a

Enter the qualified investment in integrated gasification combined cycle property placed in service during the tax year for projects described in section 48A(d)(3)(B)(i). Eligible property is any property which is part of a qualifying advanced coal project using an integrated gasification combined cycle and is necessary for the gasification of coal, including any coal handling and gas separation equipment.

Integrated gasification combined cycle is an electric generation unit which produces electricity by converting coal to synthesis gas, which in turn is used to fuel a combined-cycle plant to produce electricity from both a combustion turbine (including a combustion turbine/fuel cell hybrid) and a steam turbine.

Line 5b

Enter the qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(ii). Eligible property is any property which is part of a qualifying advanced coal project (defined earlier) not using an integrated gasification combined cycle.

Line 5c

Enter the qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(iii). Eligible property is any certified property located in the United States and which is part of a qualifying advanced coal project (defined earlier) which has equipment that separates and sequesters at least 65% of the project's total carbon dioxide emissions. This percentage increases to 70% if the credits are later reallocated by the IRS.

The credit will be recaptured if a project fails to attain or maintain the carbon dioxide separation and sequestration requirements. For details, see section 48A(i) and Notice 2011-24, 2011-14 I.R.B. 603, available at *IRS.gov/irb/2011-14_IRB*.

Qualifying Gasification Project Credit

A qualifying gasification project is a project that:

- Employs gasification technology (as defined in section 48B(c)(2)),
- Is carried out by an eligible entity (as defined in section 48B(c)(7)), and
- Includes a qualified investment of which an amount not to exceed $650 million is certified under the qualifying gasification program as eligible for credit.

The total amount of credits that may be allocated under the qualifying gasification project program may not exceed $600 million.

For more information on the qualifying gasification project and the qualifying gasification program, see Notice 2009-23, 2009-16 I.R.B. 802, available at *IRS.gov/irb/2009-16_irb*, which is amplified by Notice 2014-81, 2014-53 I.R.B. 1001, available at *IRS.gov/irb/2014-53_IRB*. Also, see *Notice 2011-24*.

Basis reduction. If property is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, figure the credit by using the basis of such property reduced under the rules described in *Basis reduction for certain financing*, earlier.

Line 6a

Enter the qualified investment in qualifying gasification project property (defined above) placed in service during the tax year for which credits were allocated or reallocated after October 3, 2008, and that includes equipment that separates and sequesters at least 75% of the project's carbon dioxide emissions. Qualified investment is the basis of eligible property placed in service during the tax year that is part of a qualifying gasification project.

For purposes of this credit, eligible property includes any property that is part of a qualifying gasification project and necessary for the gasification technology of such project. The IRS is required to recapture the benefit of any allocated credit if a project fails to attain or maintain these carbon dioxide separation and sequestration requirements. See section 48B(f) and *Notice 2011-24*.

Line 6b

Enter the qualified investment, other than line 6a, in qualifying gasification project property (defined above) placed in service during the tax year.

Qualifying Advanced Energy Project Credit

To be eligible for the qualifying advanced energy project credit, some or all of the qualified investment in the qualifying advanced energy project must be certified by the IRS under section 48C(d). For more information on certification, see Notice 2009-72, 2009-37 I.R.B. 325, available at *IRS.gov/irb/2009-37_IRB* and Notice 2013-12, 2013-10 I.R.B. 543, available at *IRS.gov/irb/2013-10_IRB*.

Line 7

Enter the qualified investment in qualifying advanced energy project property placed in service during the tax year, that is part of a qualifying advanced energy project. Qualified investment is the basis of eligible property placed in service during the tax year that is part of a qualifying advanced energy project.

Qualifying advanced energy project means a project that re-equips, expands, or establishes a manufacturing facility for the production of:

- Property designed to be used to produce energy from the sun, wind, geothermal deposits (within the meaning of section 613(e)(2)), or other renewable resources;
- Fuel cells, microturbines, or an energy storage system for use with electric or hybrid-electric motor vehicles;
- Electric grids to support the transmission of intermittent sources of renewable energy, including storage of the energy;
- Property designed to capture and sequester carbon dioxide emissions;
- Property designed to refine or blend renewable fuels or to produce energy conservation technologies (including energy-conserving lighting technologies and smart grid technologies);
- New qualified plug-in electric drive motor vehicles (as defined in section 30D), or components which are designed specifically for use with those vehicles, including electric motors, generators, and power control units; and
- Other advanced energy property designed to reduce greenhouse gas emissions.

A qualifying advanced energy project doesn't include any portion of a project for the production of any property that is used in the refining or blending of any transportation fuel (other than renewable fuels).

Eligible property. Eligible property is property that is necessary for the production of property described in section 48C(c)(1)(A)(i), for which depreciation or amortization is available and is tangible personal property or other tangible property (not including a building or its structural components), but only if the property is used as an integral part of the qualifying advanced energy project.

Transitional rule. Enter only the basis:

- Attributable to constructed, reconstruction, or erection by the taxpayer after February 17, 2009;
- Of property acquired and placed in service after February 17, 2009; and
- Only to the extent of the qualified investment (as determined under section 46(c) and (d) as in effect on November 4, 1990) with respect to qualified progress expenditures made after February 17, 2009.

Line 8

Reserved for future use.

Credit From Cooperatives

Line 9

Patrons, including cooperatives that are patrons in other cooperatives, enter the unused investment credit from the qualifying advanced coal project credit, qualifying gasification project credit, or qualifying advanced energy project credit allocated from cooperatives. If you are a cooperative, see the Instructions for Form 3800, Part III, line 1a, for allocating the investment credit to your patrons.

Rehabilitation Credit

You are allowed a credit for qualified rehabilitation expenditures made for any qualified rehabilitated building. You must reduce your basis by the amount of the credit determined for the tax year.

If the adjusted basis of the building is determined in whole or in part by reference to the adjusted basis of a person other than the taxpayer, see Regulations section 1.48-12(b)(2)(viii) for additional information that must be attached.

Qualified Rehabilitated Building

To be a qualified rehabilitated building, your building must meet all five of the following requirements.

1. The building must have been placed in service (see requirement four) prior to 1936 unless it is a certified historic structure. A certified historic structure is any building (a) listed in the National Register of Historic Places, or (b) located in a registered historic district (as defined in section 47(c)(3)(B)) and certified by the Secretary of the Interior as being of historic significance to the district. Certification requests are made through your State Historic Preservation Officer on National Park Service (NPS) Form 10-168a, Historic Preservation Certification Application. The request for certification should be made prior to physical work beginning on the building.
2. The building must be substantially rehabilitated. A building is considered substantially rehabilitated if your qualified rehabilitation expenditures during a self-selected 24-month period that ends with or within your tax year are more than the greater of $5,000 or your adjusted basis in the building and its structural components. Figure adjusted basis on the first day of the 24-month period or the first day of your holding period, whichever is later. If you are rehabilitating the building in phases under a written architectural plan and specifications that were completed before the rehabilitation began, substitute “60-month period” for “24-month period.”

3. Depreciation must be allowable with respect to the building. Depreciation isn't allowable if the building is permanently retired from service. If the building is damaged, it isn't considered permanently retired from service where the taxpayer repairs and restores the building and returns it to actual service within a reasonable period of time.

4. The building must have been placed in service before the beginning of rehabilitation. This requirement is met if the building was placed in service by any person at any time before the rehabilitation began.

5. For a building other than a certified historic structure (a) at least 75% of the external walls must be retained with 50% or more kept in place as external walls, and (b) at least 75% of the existing internal structural framework of the building must be retained in place.

Qualified Rehabilitation Expenditures

To be qualified rehabilitation expenditures, your expenditures must meet all six of the following requirements.

1. The expenditures must be for (a) nonresidential real property, (b) residential rental property (but only if a certified historic structure—see Regulations section 1.48-1(h)), or (c) real property that has a class life of more than 12.5 years.

2. The expenditures must be incurred in connection with the rehabilitation of a qualified rehabilitated building.

3. The expenditures must be capitalized and depreciated using the straight line method.

4. The expenditures can't include the costs of acquiring or enlarging any building.

5. If the expenditures are in connection with the rehabilitation of a certified historic structure or a building in a registered historic district, the rehabilitation must be certified by the Secretary of the Interior as being consistent with the historic character of the property or district in which the property is located. This requirement doesn't apply to a building in a registered historic district if (a) the building isn't a certified historic structure, (b) the Secretary of the Interior certifies that the building isn't of historic significance to the district, and (c) if the certification in (b) occurs after the rehabilitation began, the taxpayer certifies in good faith that he or she wasn't aware of that certification requirement at the time the rehabilitation began.

6. The expenditures can't include any costs allocable to the part of the property that is (or may reasonably be expected to be) tax-exempt use property (as defined in section 168(h) except that "50 percent" shall be substituted for "35 percent" in paragraph (1)(B)(iii)). This exclusion doesn't apply for line 11d.

Line 11

For credit purposes, the expenditures are generally taken into account for the tax year in which the qualified rehabilitated building is placed in service. However, with certain exceptions, you may elect to take the expenditures into account for the tax year in which they were paid (or, for a self-rehabilitated building, when capitalized) if (a) the normal rehabilitation period for the building is at least 2 years, and (b) it is reasonable to expect that the building will be a qualified rehabilitated building when placed in service. For details, see section 47(d). To make this election, check the box on line 11a. The credit, as a percent of expenditures paid or incurred during the tax year for any qualified rehabilitated building, depends on the type of structure and its location.

Transitional rule for amounts paid or incurred after December 31, 2017. The 10% credit for pre-1936 buildings no longer applies and the 20% credit for a certified historic structure is modified generally to allow 100% of qualified rehabilitation expenditures ratably over a 5-year period for amounts paid or incurred after December 31, 2017. For qualified rehabilitation expenditures paid or incurred during the transitional period stated below, the taxpayer can claim the 10% credit for pre-1936 buildings and the 20% credit for a certified historic structure (under section 47(a) as in effect before December 22, 2017). The transitional rule applies to amounts paid or incurred as follows.

In the case of qualified rehabilitation expenditures with respect to any building—
(A) owned or leased by the taxpayer during the entirety of the period after December 31, 2017, and
(B) with respect to which the 24-month period selected by the taxpayer under clause (i) of section 47(c)(1)(B) (as in effect after December 21, 2017), or the 60-month period applicable under clause (ii) of such section, begins not later than 180 days after December 22, 2017, the transitional rule applies to expenditures paid or incurred after the end of the tax year in which the 24-month period, or the 60-period, referred to in subparagraph (B) ends.

Line 11g

If you are claiming a credit for a certified historic structure on line 11f, enter the assigned NPS project number on line 11g. If the qualified rehabilitation expenditures are from an S corporation, partnership, estate, or trust, enter on line 11g the employer identification number of the pass-through entity instead of the assigned NPS project number, and skip line 11h and the instructions below.

The lessor will provide the lessee with the NPS project number to enter on line 11g.

Line 11h

Enter the date of the final certification of completed work received from the Secretary of the Interior on line 11h. If the final certification hasn't been received by the time the tax return is filed for a year in which the credit is claimed, attach a copy of the first page of NPS Form 10-168a, Historic Preservation Certification Application (Part 2—Description of Rehabilitation), with an indication that it was received by the Department of the Interior or the State Historic Preservation Officer, together with proof that the building is a certified historic structure (or that such status has been requested). After the final certification of completed work has been received, file Form 3468 with the first income tax return filed after receipt of the certification and enter the assigned NPS project number and the date of the final certification of completed work on the appropriate lines on the form. Also attach an explanation, and indicate the amount of credit claimed in prior years.

If you fail to receive final certification of completed work prior to the date that is 30 months after the date that you filed the tax return on which the credit was claimed, you must submit a written statement to the IRS stating that fact before the last day of the 30th month. You will be asked to consent to an agreement under section 6501(c)(4) extending the period of assessment for any tax relating to the time for which the credit was claimed.

Mail to:
Internal Revenue Service
Technical Services
31 Hopkins Plaza, Room 1108
Baltimore, MD 21201

You must retain a copy of the final certification of completed work as long as its contents may be needed for the administration of any provision of the Internal Revenue Code.

If the final certification is denied by the Department of the Interior, the credit is disallowed for any tax year in which it was claimed, and you must file an amended return if necessary. See Regulations section 1.48-12(d)(7)(ii) for details.

Energy Credit

To qualify as energy property, property must:

1. Meet the performance and quality standards, if any, that have been prescribed by regulations and are in effect at the time the property is acquired;

2. Be property for which depreciation (or amortization in lieu of depreciation) is allowable; and

3. Be property either:

a. The construction, reconstruction, or erection of which is completed by the taxpayer; or

b. Acquired by the taxpayer if the original use of such property commences with the taxpayer.

Energy property doesn't include any property acquired before February 14, 2008, or to the extent of basis attributable to construction, reconstruction, or erection before February 14, 2008, that is public utility property, as defined by section 46(f)(5) (as in effect on November 4, 1990), and related regulations.

You must reduce the basis of energy property by 50% of the energy credit determined.

You must reduce the basis of energy property used for figuring the credit by any amount attributable to qualified rehabilitation expenditures.

Energy property that qualifies for a grant under section 1603 of the American Recovery and Reinvestment Tax Act of 2009 isn't eligible for the energy credit for the tax year that the grant is made or any subsequent tax year.

Basis reduction. If energy property (acquired before January 1, 2009, or to the extent of its basis attributable to construction, reconstruction, or erection before January 1, 2009) is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, reduce the basis of such property under the rules described in *Basis reduction for certain financing*, earlier. For property acquired after December 31, 2008, and for basis attributable to construction, reconstruction, or erection after December 31, 2008, there is no basis reduction for property financed by subsidized energy financing or by tax-exempt private activity bonds.

Line 12a

Enter the basis of any property placed in service during the tax year that uses geothermal energy. Geothermal energy property is equipment that uses geothermal energy to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)). For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electrical transmission stage.

Line 12b

Enter the basis, attributable to periods after December 31, 2005, of any property using solar energy placed in service during the tax year. There are two types of property.

1. Equipment that uses solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight.

2. Equipment that uses solar energy to:

a. Generate electricity,

b. Heat or cool (or provide hot water for use in) a structure, or

c. Provide solar process heat (but not to heat a swimming pool).

Basis is attributable to periods after December 31, 2005, if the property was acquired after December 31, 2005, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005.

Line 12c

Enter the basis, attributable to periods after December 31, 2005, and before October 4, 2008, of any qualified fuel cell property placed in service during the tax year.

Qualified fuel cell property is a fuel cell power plant that generates at least 0.5 kilowatt of electricity using an electrochemical process and has electricity-only generation efficiency greater than 30%. See section 48(c)(1) for further details.

Basis is attributable to periods after December 31, 2005, and before October 4, 2008, if the property was acquired after December 31, 2005, and before October 4, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005, and before October 4, 2008.

Line 12d

Enter the applicable number of kilowatts of capacity attributable to the basis on line 12c.

Transitional rule. The increase in the kilowatt limit from $1,000 to $3,000 per kilowatt applies only to:

- property (other than property for which you have elected to treat expenditures as qualified progress expenditures) the construction, reconstruction, or erection of which is completed by the taxpayer after October 3, 2008, but only to the extent of the basis thereof attributable to the construction, reconstruction, or erection during such period;
- property (other than property for which you have elected to treat expenditures as qualified progress expenditures) acquired and placed in service after October 3, 2008; and
- property for which you have elected to treat expenditures as qualified progress expenditures but only to the extent of the qualified investment with respect to qualified progress expenditures made after October 3, 2008.

Line 12f

Enter the basis, attributable to periods after October 3, 2008, of any qualified fuel cell property placed in service during the tax year.

For a definition of qualified fuel cell property, see *Line 12c* above.

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Line 12g

Enter the applicable number of kilowatts of capacity attributable to the basis on line 12f. This entry must be a whole number.

Transitional rule. For transitional rules, see *Line 12d*.

Line 12i

Enter the basis, attributable to periods after December 31, 2005, of any qualified microturbine property placed in service during the tax year. Qualified microturbine property is a stationary microturbine power plant which generates less than 2,000 kilowatts and has an electricity-only generation efficiency of not less than 26% at International Standard Organization conditions. See section 48(c)(2) for further details.

Basis is attributable to periods after December 31, 2005, if the property was acquired after December 31, 2005, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005.

Line 12l

Enter the basis, attributable to periods after October 3, 2008, of any qualified combined heat and power system property placed in service during the tax year. Combined heat and power system property is property that uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both; in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications); the energy efficiency percentage of which exceeds 60%; and it produces:

- At least 20% of its total useful energy in the form of thermal energy that isn't used to produce electrical or mechanical power (or a combination thereof), and
- At least 20% of its total useful energy in the form of electrical or mechanical power (or a combination thereof).

For details, see section 48(c)(3).

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Energy efficiency percentage. The energy efficiency percentage of a combined heat and power system property is the fraction—the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and expected to be consumed in its normal application, and the denominator of which is the lower heating value of the fuel sources for the system. The energy efficiency percentage is determined on a Btu basis.

Combined heat and power system property doesn't include property used to transport the energy source to the facility or to distribute energy produced by the facility.

Biomass systems. Systems designed to use biomass for at least 90% of the energy source are eligible for a credit that is reduced in proportion to the degree to which the system fails to meet the efficiency standard. For more information, see section 48(c)(3)(D).

Line 12o

Enter the basis, attributable to periods after October 3, 2008, and before January 1, 2009, of any qualified small wind energy property placed in service during the tax year.

Qualified small wind energy property means property that uses a qualifying small wind turbine to generate electricity. For this purpose, a qualifying small wind turbine means a wind turbine which has a nameplate capacity of not more than 100 kilowatts. For details, see section 48(c)(4). In addition, for small wind energy property acquired or placed in service (in the case of property constructed, reconstructed, or erected) after February 2, 2015, see Notice 2015-4, 2015-5 I.R.B. 407, available at IRS.gov/irb/2015-5_IRB, as modified by Notice 2015-51, 2015-31 I.R.B. 133, available at IRS.gov/irb/2015-31_IRB, for performance and quality standards that small wind energy property must meet to qualify for the energy credit.

Basis is attributable to periods after October 3, 2008, and before January 1, 2009, if the property was acquired after October 3, 2008, and before January 1, 2009, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008, and before January 1, 2009.

Line 12p

Enter the smaller of the basis you entered on line 12o or $4,000.

Line 12q

Enter the basis, attributable to periods after December 31, 2008, of any qualified small wind energy property placed in service during the tax year.

For the definition of qualified small wind energy property, see the instruction to line 12o above.

Basis is attributable to periods after December 31, 2008, if the property was acquired after December 31, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2008.

Line 12r

Enter the basis, attributable to periods after October 3, 2008, of any geothermal heat pump system placed in service during the tax year. Geothermal heat pump systems constitute equipment which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure. For details, see section 48(a)(3)(A)(vii).

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Line 12s

Enter the basis of any qualified investment credit facility property, other than wind facility property under section 45(d)(1) the construction of which began after 2016, placed in service during the tax year. Qualified investment credit facility property is property that:

- Is tangible personal property or other tangible property (not including a building or its structural components), but only if the property is used as an integral part of the qualified investment credit facility;
- Is constructed, reconstructed, erected, or acquired by the taxpayer;
- Depreciation or amortization is allowable; and
- The original use begins with the taxpayer.

See section 48(a)(5) for details.

A qualified investment credit facility is a facility that:

- Is a qualified facility under section 45(d)(1), (2), (3), (4), (6), (7), (9), or (11) that is placed in service after 2008 and the construction of which begins before January 1, 2017 (before January 1, 2020, for a qualified facility under section 45(d)(1)). See *When construction begins* below;
- No credit has been allowed under section 45 for that facility; and
- An irrevocable election was made to treat the facility as energy property.

When construction begins. Two methods can be used to establish that construction of a qualified facility has begun.

1. **Physical Work Method** starts when physical work of a significant nature begins. For details, see section 4 of Notice 2013-29, 2013-20 I.R.B. 1085, available at IRS.gov/irb/2013-20_IRB, section 3 of Notice 2014-46, available at IRS.gov/irb/2014-36_IRB, and section 5 of Notice 2016-31, 2016-23 I.R.B. 1025, available at IRS.gov/irb/2016-23_IRB. These notices are modified and clarified by Notice 2017-04, 2017-4 I.R.B. 541, available at IRS.gov/irb/2017-04_IRB, and prior notices.

2. **Safe Harbor Method** meets the requirements provided in section 5 of Notice 2013-29 and section 5 of Notice 2014-46. These notices are modified and clarified by Notice 2017-04 and prior notices.

Although both methods can be used, only one method is needed to establish that construction of a qualified facility has begun.

For more information, see Notice 2013-29, including its successors up to Notice 2017-04.

The election to treat a qualified facility as energy property is made by claiming the energy credit with respect to qualified investment credit facility property by completing Form 3468 and attaching it to your timely filed income tax return (including extensions) for the tax year that the property is placed in service. You must make a separate election for each qualified facility that is to be treated as a qualified investment credit facility. You must also attach a statement to the Form 3468 that includes the following information.

1. Your name, address, taxpayer identification number, and telephone number.

2. For each qualified investment credit facility include the following.

a. A detailed technical description of the facility, including generating capacity.

b. A detailed technical description of the energy property placed in service during the tax year as an integral part of the facility, including a statement that the property is an integral part of such facility.

c. The date that the energy property was placed in service.

d. An accounting of your basis in the energy property.

e. A depreciation schedule reflecting your remaining basis in the energy property after the energy credit is claimed.

3. A statement that you haven't and won't claim a grant under section 1603 of the American Recovery and Reinvestment Tax Act of 2009 for property for which you are claiming the energy credit.

4. A declaration, applicable to the statement and any accompanying documents, signed by you, or signed by a person currently authorized to bind you in such matters, in the following form: "Under penalties of perjury, I declare that I have examined this statement, including accompanying documents, and to the best of my knowledge and belief, the facts presented in support of this statement are true, correct, and complete."

Line 12t

Enter the basis of qualified wind facility property under section 45(d)(1) the construction of which began in 2017 and was placed in service during the tax year.

Line 12u

Enter the basis of qualified wind facility property under section 45(d)(1) the construction of which began in 2018 and was placed in service during the tax year.

Line 13

Patrons, including cooperatives that are patrons in other cooperatives, enter the unused investment credit from the rehabilitation credit or energy credit allocated from cooperatives. If you are a cooperative, see the Instructions for Form 3800, line 1a, for allocating the investment credit to your patrons.

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 and business taxpayers filing this form is approved under OMB control number 1545-0074 and 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return. The estimated burden for all other taxpayers who file this form is shown below:

Recordkeeping	17 hr., 13 min.
Learning about the law or the form	6 hr., 21 min.
Preparing and sending the form to the IRS	10 hr., 31 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.