

NC-478H - Low Income Housing

For most taxpayers, the credit for low-income housing awarded a federal credit allocation before January 1, 2003 has expired. Any unused portion of the credit may be carried forward for five succeeding years. **Important.** The credit for low-income housing awarded a federal credit allocation on or after January 1, 2003 is considerably different from the credit for low-income housing awarded a federal credit allocation before January 1, 2003. (For detailed information on the credit effective for allocations awarded after January 1, 2003, see the "2003 - 2004 Technical Bulletins" available from the Department's website.)

The following instructions for completing Part 2 and Part 3 of NC-478H apply to individuals, S corporations claiming the credit against franchise tax, and C corporations. Partnerships, S corporations claiming the credit against income tax, and other pass-through entities, see the specific instructions for pass-through entities located after the instructions for Part 3.

Part 2. Computation of Amount To Be Taken in 2010. (The information requested for Part 2 is a cumulative total for all locations and should be entered only once on the last NC-478H filed.)

- Line 1.** Enter the 2007 installment amount.
(From 2007 NC-478H, Part 2, Line 8)
- Line 2.** Enter the 2006 installment amount.
(From 2006 NC-478H, Part 2, Line 8)
- Line 3.** Enter the 2005 installment amount.
(From 2005 NC-478H, Part 2, Line 8)
- Line 4.** Enter the portion of installment amounts not taken for tax years 2000 through 2009.
- Line 5.** Add Lines 1 through 4. **This is the amount of credit to take in 2010 for investing in low-income housing.**
(Carry amount to Line 8 of NC-478)

Part 3. Housing Credit History Table. (The information requested for Part 3 is a cumulative total for all locations and should be entered only once on the last Form NC-478H filed. The installment portion of Credit History Table can not be completed in its entirety until after completing Part 3 of Form NC-478.)

Credit Amount In the 2005 through 2007 columns, enter the total credit amount as calculated on the prior year's NC-478H.

Installments In the 2005 through 2007 columns, enter the amount of installment actually taken in each tax year. The amount of installment taken includes the amount of each year's installment utilized during the tax year plus any unused portion of a prior year's carryforward taken in that tax year. (For more information on the Credit History Table, see the detailed example.)

Carryforwards Taken If any portion of a prior year's installment is taken in tax year 2010, enter the amount in the applicable column. (**Important.** Carryforwards taken do not include the amount of current year's installment taken. Carryforwards taken should only be entered if in 2010 a portion of a prior years' installment is utilized.)

Carryforwards To Take In Future If an installment is not fully utilized in tax year 2010, enter the amount not taken as a carryforward to take in the future. (**Important.** Carryforwards to take in the future do not include eligible installments to be taken in future years. Carryforwards to take in the future should only be entered if in 2010 a portion of a current year's installment can not be utilized due to the 50% of tax limitation.)

Expired Installments If an installment expires, enter the amount of expired credit in the applicable column. Generally, a credit for investing in low-income housing expires or is forfeited if the taxpayer becomes ineligible for the federal credit. If the taxpayer is required to recapture all or part of the federal credit claimed, it becomes liable for all past taxes avoided as a result of the credit plus accrued interest.

Pass-through entities. S corporations claiming the credit against income tax complete Parts 2 and 3 by including the amounts allocated to those nonresident shareholders on whose behalf a composite return is being filed. On Part 2, Line 4, include only the carryforwards for those nonresident shareholders on whose behalf a composite return is filed in both the prior year and the current year. **Partnerships** complete Parts 2 and 3 by including the amounts allocated to those nonresident partners on whose behalf the managing partner pays the tax. On Part 2, Line 4, include only the carryforwards for those nonresident partners on whose behalf the partnership pays tax in both the prior year and the current year. **Trusts and estates** complete Parts 2 and 3 by including only the amount that is allocated to the fiduciary.

Allocation of credit by a pass-through entity. A pass-through entity may allocate the credit among any of its owners in its discretion as long as the owner's adjusted basis in the pass-through entity at the end of the taxable year in which the federal credit is first claimed is at least forty percent of the amount of credit allocated to that owner. A pass-through entity and its owners must include with their tax returns for every taxable year in which an allocated credit is claimed a statement of the allocation made by the pass-through entity and the allocation that would have been required under the general method of allocating credits based on percentage ownership.

Forfeiture for change in ownership. An owner of a pass-through entity that has qualified for the tax credit for low-income housing forfeits a portion of the credit if the owner disposes of more than one-third of its interest in the pass-through entity within five years from the date the federal credit is first claimed. Forfeiture is not required if the change in ownership results from either the death of the owner or a merger, consolidation, or similar transaction requiring approval of the pass-through entity's owners and the pass-through entity does not receive cash or tangible property in the merger, consolidation, or other similar transaction.