



Instructions for Form DTF-626 Recapture of Low-Income Housing Credit

General instructions

Use Form DTF-626, *Recapture of Low-Income Housing Credit*, if you **must** recapture part of the low-income housing credit you claimed in previous years because:

- the qualified basis of a building decreased from one year to the next (the decrease may result from a change in the eligible basis, or the building no longer meets the minimum set-aside requirements of IRC section 42(g)(1); or New York State Public Housing Law, Article 2-A, section 21(5)(b); the gross rent requirement of IRC section 42(g)(2); or the other requirements for the units which are set aside); or
- you disposed of the building or an ownership interest in it, and you did not post a bond or other acceptable security as collateral.

For more information, see Form DTF-627, *Low-Income Housing Credit Disposition Bond*, and DTF-627.1, *Low-Income Housing Credit - Collateral Security*.

Note: If the decrease in qualified basis is because of a change in the amount for which you are financially at risk on the building, then you must first recalculate the amount of credit taken in prior years (see Internal Revenue Code (IRC) section 42(k) before you calculate the recapture amount on this form).

To complete this form you will need copies of the following forms that you have filed:

- Form DTF-624, *Claim for Low-Income Housing Credit*;
- Form DTF-625, *Low-Income Housing Credit Allocation Certification*;
- Form DTF-625-ATT, *Low-Income Housing Credit Annual Statement*; and
- Form DTF-626, *Recapture of Low-Income Housing Credit*.

Note: Flow-through entities must give partners, shareholders, and beneficiaries the information that is reported in *Address of building*, *Building identification number*, and *Date placed in service* sections and the information reported in Part I.

Credit recapture

Recapture **does not** apply if:

- you disposed of the building or an ownership interest in it and you posted a bond or other acceptable security (Tax Law section 18(b)(7));
- you disposed of not more than 33% in the aggregate of your ownership interest in a building that you held through a partnership to which IRC section 42(j)(5) applies, or through an electing large partnership;
- the decrease in qualified basis does not exceed the additions to qualified basis for which credits were allowed in years after the year the building was placed in service;
- you correct a noncompliance event within a reasonable period after it is discovered or should have been discovered; or
- the qualified basis is reduced because of a casualty loss, provided the property is restored or replaced within a reasonable period.

Record-keeping requirements

To verify changes in qualified basis from year to year, you must keep, for 3 years after the 15-year compliance period ends, a copy

of all Forms DTF-625, DTF-625-ATT, DTF-624, DTF-626, and DTF-627 you have filed.

Specific instructions

Part I

If the building is financed with tax exempt bonds, enter the following information:

1. name of the entity that issued the bond (not the name of the entity receiving the benefit of the financing);
2. date of issue (generally the first date there is a physical exchange of the bonds for the purchase price);
3. name of the issue, or if not named, other identification of the issue; and
4. Committee on Uniform Security Identification Procedures (CUSIP) number of the bond with the latest maturity date (if the issue does not have a CUSIP number, enter *None*).

Part II

Note: If recapture is passed through from a flow-through entity (partnership, New York S corporation, estate or trust) skip lines 1 through 7 and go to line 8.

Line 1 — Enter the total credits claimed on the building for **all** prior years from Form(s) DTF-624, Part I. Get these amounts from Part I, line 4, of Form(s) DTF-624 you have filed. **Do not** include credits taken by a previous owner. No credit may be claimed in the year of recapture.

Line 2 — Determine the amount to enter on this line by computing a separate *Line 2 Worksheet* on the back of Form DTF-626 for each prior year that a Form DTF-625-ATT, line 7, was completed.

Line 4 — Enter the credit recapture percentage, expressed as a decimal carried to 3 places, from the table below:

If the recapture event occurs in:	Then enter on line 4:
Years 2 through 11333
Year 12267
Year 13200
Year 14133
Year 15067

Line 6 — Enter the percentage decrease in qualified basis from the close of the previous year to the close of the current year.

For this purpose, figure qualified basis without regard to any additions to qualified basis after the first year of the credit period. Compare any decrease in qualified basis first to additions to qualified basis. **Recapture applies only if the decrease in qualified basis exceeds additions to qualified basis after the first year of the credit period.**

If you disposed of the building or an ownership interest in it and did not post a bond, you must recapture all of the accelerated portion shown on line 5. Enter 1.000 on line 6. Do not leave line 6 blank.

Note: If the decrease causes the qualified basis to fall below the minimum set-aside requirements of IRC section 42(g)(1) or New York State Public Housing Law, Article 2-A, section 21(5)(b), then 100% of the amount shown on line 5 must be recaptured. Enter 1.000 on line 6. If you elected the 40-60 test or the 40-90 test

for this building and the decrease causes you to fall below 40%, you **cannot** switch to the 20-50 test to meet the set-aside requirements. You must recapture the entire amount shown on line 5.

Line 7 — If there was a prior recapture of accelerated credits on the building, do not recapture that amount again as the result of the current reduction in qualified basis.

Line 9 — If you have any unused carryover of credit from a previous tax year or years that is attributable to this building, use the *Line 9 Worksheet* on the back page of Form DTF-626 to determine the accelerated portion of that unused carryover and any reduction of the accelerated portion due to a decrease in qualified basis (if applicable). If you have no carryover of credit from a previous tax year(s) for this building, enter **0** on line 9.

Special rule for electing large partnerships. Enter **0** on line 9. An electing large partnership is treated as having fully used all prior-year credits.

Line 11 — Compute the interest separately for each prior tax year for which a credit is being recaptured. Interest must be computed at the **overpayment rate** determined under section 1096 of the Tax Law and compounded on a daily basis from the due date (not including extensions) of the return for the prior year until the earlier of (a) the due date (not including extensions) of the return for the recapture year, or (b) the date the return for the recapture year is filed and any income tax due for that year has been fully paid.

Tables of interest factors to compute daily compound interest are published on the Tax Department Web site (www.nystax.gov).

Note: If the line 8 recapture amount is from a IRC section 42(j)(5) partnership, the partnership will figure the interest and include it in the recapture amount reported to you. Enter **0** on line 11 and write *section 42(j)(5)* to the left of the entry space for line 11.

Line 13 — Subtract the amount on line 9 from the total of all prior year(s) unused carryover of credit attributable to the building and enter the result on line 13.

Line 14 — Transfer the line 14 amount to the appropriate form:

Individuals: Transfer the amount from line 14 to Form IT-201-ATT, line 25; or Form IT-203-B, line 9.

Partnerships: Transfer the amount from line 14 to Form IT-204, line 45.

Fiduciaries: Transfer the amount from line 14 to Form IT-205, line 12.

Corporations: Include the amount from line 14 on Form DTF-624, line 11.

Special rule for electing large partnerships. Subtract the current-year credit, if any, shown on Form DTF-624, line 9, from the total of line 12 amounts from all Forms DTF-626. Enter the result (but not less than zero) on Form IT-204.

Note: You must also reduce the current year low-income housing credit, before allocation to each partner, by the amount of the reduction to the total of the recapture amount(s).

Line 15 — Include this amount on Form DTF-624, line 5.

Part III — Only IRC section 42(j)(5) partnerships need to complete lines 16 and 17

Lines 16 and 17 — Only IRC section 42(j)(5) partnerships complete these lines. This is a partnership (other than an electing large partnership) that has at least 35 partners, unless the partnership elects (or has previously elected) not to be treated as an IRC section 42(j)(5) partnership. For purposes of this definition, a husband and wife are treated as one partner.

For purposes of determining the credit recapture amount, an IRC section 42(j)(5) partnership is treated as the taxpayer to which the low-income housing credit was allowed and as if the amount of credit allowed was the entire amount allowable under IRC section 42(a).

See the instructions for line 11 to figure the interest on line 16. The partnership must attach Form DTF-626 to its Form IT-204 and allocate this amount to each partner in the same manner as the partnership's taxable income is allocated to each partner.

Need help?



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(for information, forms, and publications)



Fax-on-demand forms: Forms are
available 24 hours a day,
7 days a week. 1 800 748-3676



Telephone assistance is available from 8:00 A.M. to
5:00 P.M. (eastern time), Monday through Friday.

To order forms and publications: 1 800 462-8100

Business Tax Information Center: 1 800 972-1233

Personal Income Tax Information Center: 1 800 225-5829

From areas outside the U.S. and
outside Canada: (518) 485-6800



Hotline for the hearing and speech impaired:

If you have access to a telecommunications device for the deaf (TDD), contact us at 1 800 634-2110. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.



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