

FORM <b>N-586</b> (REV. 2019)	<h2 style="margin: 0;">TAX CREDIT FOR LOW-INCOME HOUSING</h2> <p style="margin: 0;">Or fiscal year beginning _____, 2019, and ending _____, 20____          Enter the start and end of your tax year in the space provided.</p>	TAX YEAR <h1 style="margin: 0;">2019</h1>
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ATTACH THIS SCHEDULE AND A COPY OF FEDERAL FORM 8586 TO FORM N-11, N-15, N-20, N-30, N-35, N-40, N-70NP, F-1 OR TO THE ANNUAL PREMIUM TAX RETURN (Form 314), WHICHEVER IS APPLICABLE.  
 ATTACH A COPY OF FORMS 8609 AND 8609-A TO THIS SCHEDULE.

Name(s) as shown on Form N-11, N-15, N-20, N-30, N-35, N-40, N-70NP, F-1, or Form 314	Social Security Number
<b>NOTE:</b> If you are only claiming the tax credit from a flow-through entity, start on line 5.	Federal Employer I.D. No.

**Part I Low-Income Housing Credit**

1 Name and address of building(s) for which the credit is being claimed _____		
2 Date building(s) placed in service (month, year) _____		
a Is this date after December 31, 2011? <input type="checkbox"/> Yes <input type="checkbox"/> No		
b If yes, did you elect to take the low-income housing tax credit loan? <input type="checkbox"/> Yes <input type="checkbox"/> No		
If "Yes," you <b>cannot</b> claim this credit. Do not complete this form.		
3 Enter the amount of the tax credit allocated by the HHFDC prior to January 1, 2017 to Hawaii property placed in service on or after July 1, 2005.....	3	
4 Multiply the amount on line 3 by 50% and enter here .....	4	
5 Enter the amount of the tax credit allocated by the HHFDC after December 31, 2016 to Hawaii property placed in service on or after January 1, 2017 (see Instructions).....	5	
6 Flow through of Hawaii low-income housing credit received from other entities, if any: Check the applicable box below. Enter the name and Federal Employer I.D. No. of Entity:		
<input type="checkbox"/> a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 16d .....		
<input type="checkbox"/> b Partner — enter amount from Schedule K-1 (Form N-20), line 19.....		
<input type="checkbox"/> c Beneficiary — enter amount from Schedule K-1 (Form N-40), line 7b.....		
<input type="checkbox"/> d Patron — enter the amount from federal Form 1099-PATR.....	6	
7 Carryover of unused low-income housing tax credit from prior years .....	7	
8 Tentative current year low-income housing credit (Add lines 4, 5, 6, and 7) .....	8	
<b>Note:</b> Form N-20, Form N-35, and Form 314 filers stop here and enter the amount on line 8 on the appropriate lines of your tax return.		

**Part II Tax Liability Limitations (Not to be completed by Form N-20, Form N-35, and Form 314 filers)**

9 a Individuals — Enter the amount from Form N-11, line 34, Form N-15, line 51 .....		
b Corporations — Enter the amount from Form N-30, line 13 .....		
c Other filers — Enter the amount from the applicable form.....	9	
10 If you are claiming other credits, complete the credit worksheet in the instructions and enter the total here .....	10	
11 Line 9 minus line 10. This represents your adjusted tax liability. If the result is zero or less than zero, enter zero here and on line 12 .....	11	
12 <b>Total credit allowed</b> — Enter the smaller of line 8 or 11, rounded to the nearest dollar. This is your low-income housing credit allowable for the year. Enter this amount on Schedule CR, line 4 (for Form N-11, N-15, N-30, and N-70NP filers); Form N-40, Schedule E, line 4; Form F-1, Schedule H, line 2; or on Form 314, whichever is applicable .....	12	
13 Line 8 minus line 12. This represents your carryover of unused credit. The amount of any unused tax credit may be carried over and used as a credit against your income tax liability in subsequent years until exhausted .....	13	

*(Continue on back)*



**PART III** Recapture of Low-Income Housing Credit

Building	Address of Building (as shown on Form N-586)	Date placed in service (from Form N-586)
<b>A</b>		
<b>B</b>		

	Building		TOTAL
	A	B	
<b>1</b> Enter the amount of accelerated portion of tax credits recaptured, federal Form 8611, line 7 .....	<b>1</b>		
<b>2</b> Enter the appropriate credit percentage (see Instructions) .....	<b>2</b>		
<b>3</b> Multiply line 1 by line 2 and enter result .....	<b>3</b>		
<b>4</b> Enter net recapture amount from flow-through entities, Schedule K-1 or federal Form 1099-PATR .....	<b>4</b>		
<b>5</b> Enter the interest on line 4 recapture amount (see Instructions) .....	<b>5</b>		
<b>6</b> IRC Section 42 (j)(5) Partnerships ONLY - Enter interest on line 3 recapture amount.....	<b>6</b>		
<b>7</b> Total recapture - Add lines 3, 4, 5, and 6. Enter here and on proper line of your tax return .....	<b>7</b>		

CREDIT WORKSHEET	
Tax Credit	Amount
a. Income Taxes Paid to another state or foreign country .....	_____
b. Enterprise Zone Tax Credit .....	_____
c. Carryover of the Energy Conservation Tax Credit .....	_____
d. Credit for Employment of Vocational Rehabilitation Referrals .....	_____
e. Carryover of the Individual Development Account Contribution Tax Credit .....	_____
f. Credit for School Repair and Maintenance .....	_____
g. Carryover of the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service Before July 1, 2009) .....	_____
h. Renewable Energy Technologies Income Tax Credit (Nonrefundable) ..	_____
i. Cesspool Upgrade, Conversion, or Connection Tax Credit .....	_____
j. Earned Income Tax Credit .....	_____
k. Healthcare Preceptor Tax Credit .....	_____
l. Add lines a through k. Enter the amount here and on line 10 .....	_____

# INSTRUCTIONS FOR FORM N-586 TAX CREDIT FOR LOW-INCOME HOUSING

## General Instructions

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

The Hawaii low-income housing tax credit allowed under section 235-110.8, Hawaii Revised Statutes (HRS), is based upon the tax credit allowed for federal income tax purposes under section 42. For property placed in service on or after July 1, 2005, the Hawaii low-income tax credit is 50% of the allowable federal low-income housing tax credit (30% for property placed in service before July 1, 2005). A taxpayer may claim this credit whether or not the taxpayer claims a federal low-income housing tax credit.

Act 129, Session Laws of Hawaii 2016, amended the low-income housing tax credit by shortening the time over which the State tax credit is taken from ten years to five years. This additional incentive is effective January 1, 2017 and applies to buildings that are awarded low-income housing tax credits after December 31, 2016. It is repealed on December 31, 2021.

**Note:** *Although a taxpayer no longer has to claim the federal low-income housing tax credit in order to claim the State low-income housing tax credit, federal low-income housing tax credit forms, Form 8586, will need to be completed in order to claim the State low-income housing tax credit. Form 8586 needs to be attached to your Hawaii return even if you are not required to attach it to your federal return.*

**Purpose of Form.** Owners of residential rental buildings providing low-income housing must use Form N-586 to claim the low-income housing credit.

The tax credit does not apply to occupants of low-income housing units.

For more information, contact the Department of Taxation, Taxpayer Services Branch at (808) 587-4242, or toll-free at 1-800-222-3229.

**Banks and other financial institutions.** — Complete Parts I and II. Attach a copy of federal Form 8586 to Form F-1.

**Partnerships, S Corporations, Estates and Trusts.**—Complete Part I to figure the credit to pass through to the partners, shareholders, or beneficiaries. Attach a copy of federal Form 8586 to the entity's income tax return.

*Partnership investors now have the flexibility of allocating the State low-income housing tax credit among its partners without regard to the partners' proportionate interests in*

*the partnership for taxable years beginning after December 31, 1999.*

**Insurers.**—Complete Part I to figure the credit to carry to Form 314, Annual Premium Tax Return. Attach a copy of federal Form 8586 to Form 314.

**Caution:** *No credit may be claimed on any building for which there has been allowed any relief from the passive loss rules under section 502 of the Tax Reform Act of 1986.*

## Low-Income Housing Tax Credit

Each taxpayer subject to the tax imposed by chapter 235, HRS, who files a net income tax return for a taxable year may claim a low-income housing tax credit against the taxpayer's net income tax liability. The amount of the credit shall be deductible from the taxpayer's net income tax liability, if any, imposed by chapter 235, HRS, for the taxable year in which the credit is properly claimed on a timely basis. A credit under this section may be claimed whether or not the taxpayer claims a federal low-income housing tax credit pursuant to section 42.

Effective July 1, 2005, the low-income housing tax credit shall be fifty percent of the applicable percentage of the qualified basis of each building located in Hawaii. Applicable percentage shall be calculated as provided in section 42(b).

The credit allowed shall be claimed against net income tax liability for the taxable year. For the purpose of deducting this tax credit, net income tax liability means net income tax liability reduced by all other credits allowed the taxpayer under chapter 235, HRS.

A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted. The deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim the credit after the deadline. Failure to properly and timely claim the credit shall constitute a waiver of the right to claim the credit. A taxpayer may claim a credit only if the building or project is a qualified low-income housing building or a qualified low-income housing project under section 42.

If a subaward under section 1602 of the American Recovery and Reinvestment Act of 2009, Public Law 111-5, has been issued for a qualified low-income building placed in service after December 31, 2011, the amount of the low-income housing tax credit that may be claimed by a taxpayer shall be equal to fifty percent of the amount of the federal low-income housing tax

credit that would have been allocated to the qualified low-income building pursuant to section 42(b) had a subaward not been awarded with respect to the qualified low-income building.

The Hawaii Housing Finance and Development Corporation (HHFDC), under the Department of Business, Economic Development and Tourism, is designated as the State housing credit agency to carry out section 42(h) (with respect to limitation on aggregate credit allowable with respect to projects located in the State). As the State housing credit agency, the corporation shall determine the eligible basis for a qualified low-income building, make the allocation of housing credit dollar amounts with the State, and determine the portion of the State's housing credit ceiling set aside for projects involving qualified nonprofit organizations.

All claims for allocation of the low-income housing credit under section 235-110.8, HRS, shall be filed with the HHFDC at 677 Queen St., Suite 300, Honolulu, HI 96813. The HHFDC shall determine the amount of the credit allocation, if necessary, and return the claim to the taxpayer. The taxpayer shall file a credit allocation form issued by the HHFDC with the taxpayer's tax return with the Department of Taxation.

## Low-Income Housing Tax Credit Loan

In lieu of the low-income housing tax credit, the taxpayer owning the qualified low-income building placed in service after December 31, 2011, may make a request to the HHFDC for a loan. If the taxpayer elects to receive the loan, the taxpayer shall not be eligible for the low-income housing tax credit.

## Recapture of Credit

There is a 15-year compliance period during which the residential rental building must meet certain requirements.

**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 pursuant to section 42(k) before you calculate the recapture amount on this form.*

Generally, recapture applies if:

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

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

Recapture does **not** apply if:

- You disposed of the building or an ownership interest in it after July 30, 2008, and it is reasonably expected that the building will continue to be operated as a qualified low-income building for the remainder of the building's compliance period;
- You disposed of an ownership interest in a building that you held through an electing large partnership;
- The decrease in qualified basis does not exceed the additions to qualified basis for which credits were allowable in years after the year the building was placed in service;
- You correct a noncompliance within a reasonable period after it is discovered or should have been discovered. (However, recapture applies if any vacant unit of comparable or smaller size to the low-income units is rented to other than a low-income tenant (on other than a temporary basis) during any period when the project does not comply with the set-aside requirement or has experienced a reduction in qualified basis for which credits were allowable.);
- The credit did not reduce your tax liability; or
- The qualified basis is reduced because of a casualty loss, provided the property is restored or replaced within a reasonable period.

## Specific Instructions Part I

**Line 5** — Enter the amount of tax credit allocated by the HHFDC after December 31, 2016 to Hawaii property placed in service on or after January 1, 2017.

For any qualified low-income building that receives an allocation after December 31, 2016, the amount of low-income housing tax credits that may be claimed shall be:

- For the first five years, equal to the amount of the federal low-income housing tax credits that have been allocated to the qualified low-income building pursuant to section 42(b) by the HHFDC provided that, if in any year the aggregate amount of credits under this subsection would be such that it would exceed the amount of state credits allocated by the HHFDC for the qualified low-income building, the credits allowed for that year shall be limited to such amount necessary to bring the total of such state credits (including the current year state

credits) to the full amount of state credits allocated to the qualified low-income building by the HHFDC;

- For the sixth year, zero, except that, if and only if, the amount of credits allowed for the first five years is less than the full amount of state credits allocated by the HHFDC for the qualified low-income building, an amount necessary to bring the amount of the state credits to the full amount allocated by the corporation for the qualified low-income building; and
- For any remaining years, zero.

## Part II Tax Liability Limitations

**NOTE:** For the purpose of this tax credit, net income tax liability means net income tax liability reduced by all other credits, **except for the carryover of the high technology business investment tax credit and the carryover of the technology infrastructure renovation tax credit allowed under chapter 235, HRS. If you are also claiming the carryover of the high technology business investment tax credit (Form N-323) or the carryover of the technology infrastructure renovation tax credit (Form N-323), complete this form first, then Form N-323.**

**Line 9** — Enter the tax liability after refundable credits from the appropriate line of your tax return.

**Line 10** — The law requires that ALL other credits, except for the carryover of the high technology business investment tax credit and the carryover of the technology infrastructure renovation tax credit, offset a taxpayer's tax liability BEFORE allowing a credit for low-income housing. Complete the *Credit Worksheet* on page 2 of Form N-586 and enter the result on line 10.

**Line 12** — Compare the amounts on lines 8 and 11. Enter the smaller of line 8 or 11 here, rounded to the nearest dollar. This is your maximum credit allowed for this taxable year.

## Part III

To complete Part III of Form N-586 you will need copies of all the following federal forms that you have filed: **Form 8586**, Low-Income Housing Credit, **Form 8609**, Low-Income Housing Credit Allocation Certification, **Form 8609-A** Annual Statement for Low-Income Housing Credit, and **Form 8611**, Recapture of Low-Income Housing Credit.

**Lines 1 through 7** — If the tax credit is recaptured from more than two buildings, attach a schedule and enter the totals in the third column.

If the tax credit recapture is only from a flow-through entity (partnership, S corporation, estate, or trust) skip lines 1-3 and go to line 4.

**Line 1 — Tax credit recapture.**— Section 42(j)(5) partnerships fill in line 7 also. All other flow-through entities (partnerships, S corporations, estates, or trusts) enter the result here and on the appropriate line of Schedule K of your respective return. Enter each recipient's share on the appropriate line of Schedule K-1.

**Line 2 — Appropriate credit percentage.**— Enter 30% if the property was placed in service before July 1, 2005. Enter 50% if the property was placed in service on or after July 1, 2005.

**Lines 5 and 6 — Interest.**— Compute the interest separately for each prior tax year using a rate of 8% (.00667 monthly) for the period beginning on the due date for filing the original return for each prior year involved. Add the interest amounts for each prior year until the earlier of:

- The due date (not including extensions) of the return for the recapture year, or
- The date the return for the recapture year is filed and any income tax due for that year has been fully paid.

Enter the total on line 5 or 6. (This interest is not deductible on your income tax return.)

**Line 7** — Include the total credit recaptured on the appropriate line representing your tax liability.

For flow-through entities that file Form N-20 or Form N-35, identify amounts as "Recapture of low-income housing tax credit":

N-20, Schedule K-1, line 32.  
N-35, Schedule K-1, line 24.