

2024 Affordable Housing Tax Credit

AFFORDABLE HOUSING TAX CREDIT CONTACT INFORMATION

Arizona Department of Housing

- Certification requirements • Certification forms
- Program guidelines

Website: <https://housing.az.gov/>

Program Manager (602) 771-1000

Arizona Department of Revenue

- Tax forms and instructions • Information and assistance

Website: www.azdor.gov

Taxpayer assistance (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

General Instructions

Arizona Revised Statutes (A.R.S.) §§ 43-1075 and 43-1163 provide for nonrefundable individual and corporate income tax credits for projects in this state that qualify for the federal low-income housing tax credit under section 42 of the Internal Revenue Code (IRC) that are placed in service from and after June 30, 2022 in an amount equal to at least fifty-percent (50%) of the amount of the federal credit allowed in each taxable year during the federal credit period.

The Arizona Department of Housing (Housing) shall allocate the tax credits according to its current qualified allocation plan adopted pursuant to section 42(m) of the IRC. Housing shall allocate a total of four million dollars (\$4,000,000) of tax credits in any calendar year. At the end of the calendar year, if an unused balance occurs, the balance shall be reallocated to the next year.

Any taxpayer that owns an interest in an investment in a qualified project that receives an Eligibility Statement from Housing is allowed a tax credit from and after December 31, 2021 and before January 1, 2026, if the taxpayer acquires the interest before filing a tax return claiming the credit.

A qualified project that is approved for the purposes of the credit is not eligible for any abatement, exemption or other reduction in state or local *ad valorem* property taxes otherwise allowed by statute.

If all or part of the federal low-income housing tax credit with respect to the qualified project is subject to recapture under section 42 of the internal revenue code during the first ten taxable years after the project is placed in service, the credit under this section is also subject to recapture in a proportional amount from all taxpayers who claimed the credit.

Claiming the Credit

The taxpayer must first apply for an eligibility statement from the Arizona Department of Housing (Housing) certifying that the taxpayer has housing projects in this state that qualify for the federal low-income housing credit and that are placed in service from and after June 30, 2022.

To claim the credit, the taxpayer must submit the Eligibility Statement provided by Housing to the Arizona Department of Revenue (Revenue) with the taxpayer's income tax return. A credit is not allowed until the taxpayer furnishes the required documentation.

On notice to Revenue, the credit may be allocated among the partners, members or shareholders as they may agree among themselves regardless of the size of such participant's ownership interest. A partner, member or shareholder may hold an investment exclusively in either the state credits or federal credits allocated to the qualified project.

If the amount of the credit for a taxable year exceeds the amount of taxes otherwise due on a claimant's income, or if there are no taxes due, the taxpayer may carry forward the amount of the claim not used for not more than five consecutive taxable years' income tax liability.

If all or part of this credit is subject to recapture during the first 10 taxable years after the project is placed in service, the credit is subject to recapture in a proportional amount from all taxpayers who claimed the credit. The recapture is calculated by increasing the amount of taxes imposed in the following year by the amount recaptured.

Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

NOTE:

- If this credit is being passed through to partners or shareholders using an allocation method other than the percentage ownership of the project (federal method) check the box at the top of the form. Include a statement or documentation to support the alternate allocation method.
- All returns, statements, or other documents filed with the department must have the taxpayer's Employer Identification Number (EIN) or TIN indicated on them.
- Taxpayers who fail to include their EIN or TIN may be subject to a penalty.

NOTE – To claim this credit:

- **Individuals that did not make the Small Business Income election**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your Individual Income Tax Return (Form 140, 140PY, 140NR, or 140X).
- **Individual taxpayers that made the Small Business Income election**, complete this credit form and Arizona Form 301-SBI, Nonrefundable Individual Tax Credits and Recapture for Form 140-SBI, 140PY-SBI, 140NR-SBI and 140X-SBI. Include both completed forms with your SBI Tax Return (Form 140-SBI, 140PY-SBI, 140NR-SBI, or 140X-SBI).
- **C Corporations, S Corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.

- **Partnerships**, complete this credit form. Also, complete Form 354-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 354-P. Include Form 354 and one copy of each completed Form 354-P with your tax return.

Part 1 – Qualification for and Current Taxable Year’s Credit

Line 1

If you received an Eligibility Statement for a qualified housing project from the Arizona Department of Housing for this credit, check “Yes” and continue to line 2. If not, check “No” and continue to line 3.

Line 2

If you checked “Yes” on line 1, enter the amount of the credit indicated on the eligibility statement you received.

Line 3

Did an entity from which you are claiming a pass-through of the Affordable Housing Tax Credit receive an Eligibility Statement from the Arizona Department of Housing?

- If yes, check “Yes”. Include a copy of the Eligibility Statement(s) and Form(s) 354-P and/or 354-S.
- If no, check “No”. Skip lines 4 and 5.

NOTE: If you checked “No” on lines 1 and 3, do not file this form unless you have carryovers from prior years.

Line 4

Enter the amount of this credit passed through from partnerships on Form 354-P.

Line 5

Enter the amount of this credit passed through from S Corporations on Form 354-S.

Note to lines 4 and 5: If you received a pass through of this credit from more than one partnership and/or S Corporation, total the amounts received from all Forms 354-P and/or Forms 354-S and enter the amount. Include a copy of each Form 354-P and/or Form 354-S you received with your return.

Line 6

Add lines 2, 4, and 5. Enter the total. This is your current taxable year’s Affordable Housing Credit.

Part 2 – Credit Recapture

Line 7

If you received a notice from the Arizona Department of Housing during the taxable year that your credit is subject to recapture, check “Yes” and include a copy of the notice and continue to line 8. If not, check “No” and skip to line 9.

Line 8

Enter the total amount of the credit that is subject to recapture from the notice from the Arizona Department of Housing.

Line 9

If an entity from which you previously claimed a pass-through of this credit received a notice from the Arizona Department of Housing that this credit is subject to

recapture, check “Yes” and include a copy of that notice. Continue to line 10. If no, check “No” and skip to line 12.

Line 10

Enter the amount of the credit subject to recapture passed through from partnerships on Form 354-P, Part 2, line 7.

Line 11

Enter the amount of the credit subject to recapture passed through from S Corporations on Form 354-S, Part 2, line 7.

Line 12

Add lines 8, 10 and 11 and enter the total. **This is your total recapture amount.**

Individuals that did not make the Small Business Income Election, also enter this amount on Form 301, Part 2, line 30.

Individuals that made the Small Business Income Election, also enter this amount on Form 301-SBI, Part 2, line 23.

C Corporations, S Corporations that claimed this credit at the corporate level, and exempt organizations with UBTI, also, enter this amount on Form 300, Part 2, line 21.

Part 3 - Partnerships

Partnerships claiming these credits must pass them through to its individual partners. Proceed to the instructions for completing Form 354-P on page 5.

On notice to Revenue, the credit may be allocated among the partners as they may agree among themselves regardless of the size of such participant’s ownership interest. A partner may hold an investment exclusively in either the state credits or federal credits allocated to the qualified project.

NOTE: Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.

Part 4 – S Corporation Credit Election and Shareholder’s Share of Credit

Lines 13, 13a, & 13b

The S Corporation must complete line 13 and line 13a or 13b. The S Corporation must make an irrevocable election either to claim the current taxable year credit at the corporate level or to pass the current taxable year credit through to its shareholders. The S Corporation election is made by:

- Entering the date the S Corporation’s taxable year ends in the box provided on line 13.
- Checking the box on line 13a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 13b electing to pass the current taxable year credit through to its shareholders.
- The election statement must be signed by an officer of the S Corporation who is also a signatory to Arizona Form 120S.

If the S Corporation elects to claim the credit at the corporate level, ensure line 13 is signed by an officer of the S corporation, check Box 13a, and continue to Part 5.

If the S Corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 354-S on page 5.

If passing this credit through to the shareholders:

- Ensure line 13 is signed by an officer of the S Corporation who is also a signatory to Arizona Form 120S.
- Check Box 13b.
- Enter “0” on Part 6, line 20.
- Complete Form 354-S for each shareholder.
- Provide a copy of completed Form 354-S to each shareholder.
- File a copy of each completed Form 354-S with your tax return.
- Keep a copy of each completed Form 354-S for your records.

On notice to Revenue, the credit may be allocated among the shareholders as they may agree among themselves regardless of the size of such participant’s ownership interest. A shareholder may hold an investment exclusively in either the state credits or federal credits allocated to the qualified project.

NOTE: *Trusts and estates which are shareholders of S Corporations are not eligible to claim this credit. However, the share of an S Corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

Part 5 – Available Credit Carryover

NOTE: *If you have a carryover of this credit from the 2022 taxable year, complete lines 14 and 19.*

Use Part 5 to figure your available credit carryover. Complete lines 14 through 18 if you claimed the Affordable Housing Tax Credit on a prior taxable year return and your credit was more than your tax.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

Lines 14 and 15

Enter the following information in the columns indicated on lines 14 and 15:

- a) Taxable Year – the taxable year from which you are carrying over the employment credit.
- b) Original Credit Amount - the amount of the credit you originally computed.
- c) Amount Previously Used – the employment credit from that taxable year you have already used or the amount of the credit that expired.
- d) Available Credit Carryover – Subtract the amount in column (c) from the amount in column (b). Enter the difference. This is the available employment credit carryover available for the current taxable year.

Lines 16 through 18

Do not complete lines 16 through 18.

Line 19

Add the amounts on lines 14 and 15 in column (d). Enter the total. This is your available Affordable Housing Tax Credit carryover for the current taxable year.

Part 6 Total Available Credit

Line 20 Current Year’s Credit

Enter the current year’s credit from Part 1, line 6.

Individuals, C Corporations, S Corporations claiming this credit at the corporate level, and exempt organizations with UBTI: enter the amount from Part 1, line 6.

Partnerships, and S Corporations that passed this credit through to shareholders: Enter “0”.

Individuals that did not make the Small Business Income election: Also enter this amount on Form 301, Part 1, line 22, column (a).

Individuals that made the Small Business Income election: Also enter this amount on Form 301-SBI, Part 1, line 15, column (a).

C Corporations, S Corporations claiming this credit at the corporate level, and exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 14, column (a).

Line 21 Available Credit Carryover

Enter the amount of carryover from Part 5, line 19, column (d).

Individuals that did not make the Small Business Income election: Also enter this amount on Form 301, Part 1, line 22, column (b).

Individuals that made the Small Business Income election: Also enter this amount on Form 301-SBI, Part 1, line 15, column (b).

C Corporations, S Corporations that claimed this credit at the corporate level, and exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 14, column (b).

Line 22 Total Available Credit

Add lines 20 and 21. Enter the total.

Individuals that did not make the Small Business Income election: Also enter this amount on Form 301, Part 1, line 22, column (c).

Individuals that made the Small Business Income election: Also enter this amount on Form 301-SBI, Part 1, line 15, column (c).

C Corporations, S Corporations claiming this credit at the corporate level, and exempt organizations with UBTI: Also enter this amount on Form 300, Part 1, line 14, column (c).

Form 354-P, Distribution to Partners of a Partnership

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 354-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with a copy of the Eligibility Statement received from the Arizona Department of Housing and their completed copy of Form 354-P, including additional schedules as needed.

Part 1 - Distribution of the Credit

Complete lines 1 through 3 to distribute the credit to the partners of the partnership.

Line 1

Enter the partnership name and EIN in the spaces provided.

Line 2

Enter the partner's name and TIN in the spaces provided.

Line 3a

Enter the amount of this credit from the partnership's Form 354, Part 1, line 6.

Line 3b

Enter the partner's ownership percentage.

Line 3c

Multiply line 3a by line 3b and enter the result.

This is the partner's portion of the credit.

Part 2 – Distribution of the Credit Recapture

Complete lines 4 through 7 to notify each partner in the partnership of their share of the credit to be recaptured.

Line 4

Enter the partnership name and EIN in the spaces provided.

Line 5

Enter the partner's name and TIN in the spaces provided.

Line 6

Enter the tax year(s) being recaptured that were passed through to this partner.

Line 7

Enter the partner's portion of the credit subject to recapture.

Form 354-S, Distribution to Shareholders of an S Corporation

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 354-S for each shareholder of the S Corporation, *except for* trust or estate shareholders. However, an S Corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S Corporation must furnish each shareholder with a copy of the Eligibility Statement received from the Arizona Department of Housing and their completed copy of Form 354-S, including additional schedules as needed.

Part 1 - Distribution of the Credit

Complete lines 1 through 3 to distribute the credit to the S Corporation shareholders.

Line 1

Enter the S Corporation name, EIN in the spaces provided.

Line 2

Enter the shareholder's name and TIN in the spaces provided.

Line 3a

Enter the amount of this credit from the S Corporation's Form 354, Part 1, line 6.

Line 3b

Enter the shareholder's ownership percentage.

Line 3c

Multiply line 3a by line 3b and enter the result.

This is the shareholder's portion of the credit.

Part 2 – Distribution of the Credit Recapture

Complete lines 4 through 7 to notify each shareholder in the S Corporation of their share of the credit to be recaptured.

Line 4

Enter the S Corporation name and EIN in the spaces provided.

Line 5

Enter the shareholder's name and TIN in the spaces provided.

Line 6

Enter the tax year(s) being recaptured that were passed through to this shareholder.

Line 7

Enter the shareholder's portion of the credit subject to recapture.