

Schedule K-1 Entries and Where They Go

- 1) **Line 2-Net Income (Loss) From Rental Real Estate Activities (see A)** is entered on worksheet 3, column b of Form 8582 and carried to line 3b. Be sure to bring any prior year suspended losses forward to worksheet 3, column c.
- 2) Form 8582 accumulates all your passive income and loss and determines how much of the loss you can deduct in the current year. Any unused passive loss may be carried forward indefinitely and allowed as a deduction against passive income in future years.
- 3) **Line 5 - Interest Income** and the name of the Partnership is entered on Line 1, Part I of Schedule B.
- 4) **Line 11E or Line 11F - Cancellation of Debt**
The cancellation of debt income should be reported as passive activity income and entered on Form 8582, Part I line 3a, and also carried to Form 1040, line 21.
- 5) **Line 13D - Charitable Contributions** Report this amount, subject to the 30% AGI limitation, on line 17 of Schedule A (Form 1040).
- 6) **Line 15A or 15B - Low-Income Housing Credit** Please consult the instructions for Form 8582CR for additional information about claiming the Low-Income Housing Credit.
- 7) You will need Forms 8582CR and 3800 to claim the credit. You will also need to complete Form 6251 if you have not already done so as part of completing these forms.
- 8) Please enter the EIN and the amount from Line 15A or 15B of the K-1 on to line 1d of the Form 3800. The amount should also be included in the Line 3 amount. Please also enter the amount from line 15A or 15B onto worksheet 3 of Form 8582CR and complete lines 3c and 5 through 7 of Form 8582CR.
- 9) Complete Lines 31 through 34 of Form 8582CR and then complete the Line 35 worksheet. Enter the Line 37 amount on Line 5 of Form 3800.
- 10) Before proceeding, you will need to complete Form 6251. Please refer to the IRS instructions if you have any questions about completing this form. You must complete lines 2 through 8 and Part II of the Form 3800. Carry the amount from Line 32 of the Form 3800 to Line 53 of the Form 1040 and check box 53 (a).
- 11) **Line 17A - Depreciation Adjustment on Property Placed in Service After 1986** represents your proportionate share of the Partnership's depreciation calculation for income tax purposes in excess of depreciation calculated for alternative minimum tax purposes.

- 12) If some of the credits are suspended on Form 3800, it may be possible to carry the unused credits to the prior tax return through the use of Form 1045. You will probably need to consult with a competent tax professional for assistance in preparing this form.
- 13) If you are not deducting any passive losses from this activity, enter zero on Line 19 of Form 6251 - "Alternative Minimum Tax - Individuals." If you are deducting the passive losses, see the instructions for Form 6251, Line 19 to determine the amount to be entered on that line. (Please consult with your tax advisor if this applies to you.)
- 14) **Item L - Reconciliation of Partner's Capital Account and Adjusted Basis** on your Schedule K-1 is for informational purposes only and is a reconciliation of your capital account. The capital account represents tax capital and is not indicative of fair market value, nor does it necessarily represent your tax basis. This section is not used in preparing your tax return.
- 15) **Item K** - on your Schedule K-1 represents your proportionate share of the liabilities which is used in determining the adjusted tax basis of your interests in the Partnership at December 31, 2009.

California K-1 Entries and Where They Go

- 16) **Line 2 - Net Income (Loss) From Rental Real Estate Activities** may be used to offset passive income only and should be reported on Form 3801 to determine how much of the loss is allowable.
- 17) **Line (5) - Interest income** is the same as the Federal amount and no California adjustment is required.
- 18) **Lines 17(a) (b) or (c)** Tax Preference Items should be reported on Schedule P - "Alternative Minimum Tax." Please consult your tax advisor if you are subject to the California Minimum Tax.

Worksheet for Form 8582-CR Part III, Line 27 and Part IV, Line 35 Passive Activity Credit Limitation Form

Part III, Line 27

First complete lines 21 through 26 of Form 8582-CR. If your adjusted gross income (AGI) is less than \$200,000 and you are not deducting losses from rental real estate with active participation (see Part II of Form 8582), enter \$25,000 on line 26.¹

The amount on line 27 is computed as follows:

A. Taxable income.....	_____	_____
B. Tax on line A*.....	_____	_____
C. Enter amount from Form 8582-CR, line 26.....	_____	_____
D. Subtract line C from line A.....	_____	_____
E. Tax on line D*	_____	_____
F. Subtract line E from line B and enter the result on Form 8582-CR, line 27.....	_____	_____

*For Form 1040, use the Tax Table, Tax Computation Worksheet, the Qualified Dividends and Capital Gain Tax Worksheet, or the Schedule D Tax Worksheet, whichever applies. For Form 1041, use the Tax Rate Schedules, Qualified Dividends Tax Worksheet, or Schedule D, whichever applies.

Part IV, Line 35

The amount on line 35 is computed as follows:

F. Taxable income.....	_____	_____
G. Tax on line F above.....	_____	_____
H. Taxable income on Line F less \$25,000.....	_____	_____
I. Tax on line H.....	_____	_____
J. Line G minus line I	_____	_____
K. Amount (if any) entered on line 30, form 8582-CR	_____	_____
L. Line J minus line K-enter this on line 35 of Form 8582-CR	_____	_____

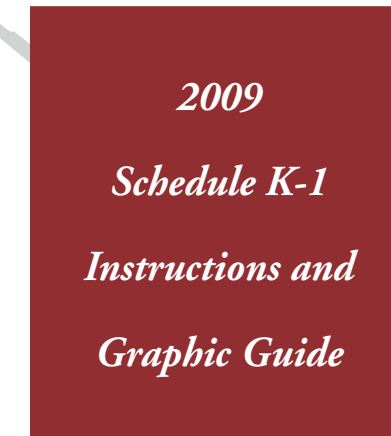
¹For properties placed in service prior to 1990 the \$25,000 allowance is reduced by 50% of AGI over \$200,000 and is eliminated when AGI exceeds \$250,000. The \$25,000 allowance is also reduced for any losses deducted under the special allowance for rental real estate with active participation (which would appear on line 10 of Form 8582).

Dear WNC Investor,

We are pleased to provide you with your 2009 tax credit package. This package includes your Schedule K-1, this instructional guide and the recommended tax forms to claim your WNC tax credits.

Tax credits are complex. We are providing this guide as a basic tool for you to use in the preparation of your tax return. However, because each investor has unique circumstances, we recommend that you consult with your tax advisor regarding this information before submitting your tax return.

Since its inception in 1987 and continuing to this day, the Low Income Housing Tax Credit program has been a major source



of funding for the development of affordable housing. WNC has been at the forefront of this program, acquiring properties and raising funds. We now have more than 820 tax credit properties across the country.

The need for affordable housing remains an issue in our nation. Your investment not only provides tax benefits to you, but it also directly provides decent and safe affordable housing for working class families and seniors.

Thank you for being a part of this program.

Sincerely,

WNC & Associates, Inc.



