

Instructions for 2020 Schedule LI

Purpose of Schedule LI

Use Schedule LI to claim the non-refundable Wisconsin low-income housing tax credit, which is available to qualifying taxpayers who are allocated tax credits by the Wisconsin Housing and Economic Development Authority (WHEDA). For information regarding how to qualify for tax credits, visit the WHEDA website at wheda.com/developers-and-property-managers/tax-credits/htc, send an email to info@wheda.com, or call 1-800-334-6873.

Who is Eligible to Claim the Credit

Any individual, estate, trust, partnership, limited liability company (LLC), corporation, or tax-exempt organization that has been allocated credits by WHEDA are eligible for the credit.

Partnerships, LLCs treated as partnerships, and tax-option (S) corporations cannot claim the credit, but the credit attributable to the eligible costs incurred by the entity can pass through to the partners, members, or shareholders. The partnership, limited liability company, or tax-option corporation calculates the amount of credit that may be claimed by each partner, member, or shareholder and provides that information to them. For shareholders of a tax-option corporation, the credit may be allocated in proportion to the ownership interest of each shareholder. Credits computed by a partnership or limited liability company may be claimed in proportion to the ownership interests of the partners or members or allocated to partners or members as provided in a written agreement among the partners or members that is entered into no later than the last day of the taxable year of the partnership or limited liability company, for which the credit is claimed. Any partner or member who claims the credit as allocated by a written agreement is required to provide a copy of the agreement with the tax return on which the credit is claimed.

Qualifications

WHEDA may allocate tax benefits if all of the following conditions are satisfied:

- The allocation certificate is issued to a person who has an ownership interest in the qualified development.
- The tax credit is necessary for the financial feasibility of the qualified development.
- The qualified development is the subject of a recorded restrictive covenant requiring that, for the compliance period or for a longer period agreed to by the authority and the owner of the qualified development, the development shall be maintained and operated as a qualified development and shall be in compliance with Title VIII of the federal Civil Rights Act of 1968, as amended.
- The allocation certificate is issued in accordance with the authority's qualified allocation plan.

Definitions

- "Allocation certificate" means a statement issued by the authority certifying that a qualified development is eligible for a state tax credit and specifying the amount of the credit that the owners of the qualified development may claim.
- "Authority" means the Wisconsin Housing and Economic Development Authority.
- "Claimant" means a person who has an ownership interest in a qualified development and who files a claim under this subsection.
- "Compliance period" means the 15-year period beginning with the first taxable year of the credit period.
- "Credit period" means the period of 6 taxable years beginning with the taxable year in which a qualified development is placed in service. If a qualified development consists of more than one building, the qualified

development is placed in service in the taxable year in which the last building of the qualified development is placed in service.

- “Qualified allocation plan” means the qualified allocation plan adopted by the authority pursuant to section [42](#) (m) of the Internal Revenue Code.
- “Qualified basis” means the qualified basis determined under section [42](#) (c) (1) of the Internal Revenue Code.
- “Qualified development” means a qualified low-income housing project under section [42](#) (g) of the Internal Revenue Code that is financed with tax-exempt bonds, pursuant to section [42](#) (i) (2) of the Internal Revenue Code, and located in this state.
- “State tax credit” means a tax credit under secs. [71.07 \(8b\)](#), [71.28 \(8b\)](#), [71.47 \(8b\)](#), or [76.639, Wis. Stats.](#)

Specific Instructions

Line 1: Enter the amount of eligible low-income housing tax credits allocated to you by WHEDA. Include a copy of the allocation certificate issued by WHEDA.

Line 2: If applicable, enter the entity name, Federal Employer Identification Number (FEIN), and amount of low-income housing tax credit passed through from tax-option (S) corporations (from Schedule 5K-1), partnerships and LLCs treated as partnerships (from Schedule 3K-1), and estates and trusts (from Schedule 2K-1).

Line 3: Add lines 1 and 2d. This is the 2020 low-income housing tax credit.

Line 3a: *Fiduciaries* - prorate the credit from line 3 between the entity and its beneficiaries in proportion to the income allocable to each. Show the beneficiaries' portion of the credit on line 3a. Show the credit for each beneficiary on Schedule 2K-1.

Line 3b: *Fiduciaries* - Subtract line 3a from line 3. This is the estate's or trust's portion of the credit. Enter the amount of credit from line 3b on the appropriate line of Schedule CR.

Line 4: Enter the amount of low-income housing credit that was not previously used and has not expired. Include Schedule CF with your tax return.

Line 5: Add lines 3 and 4 (lines 3b and 4 if fiduciary). This is the available low-income housing tax credit. Enter the amount of credit from line 5 on the appropriate line of Schedule CR. See the following exceptions:

- If the claimant is a combined group member, enter the amount of credit on Form 6, Part V, line 1 instead of Schedule CR.
- Tax-option (S) corporations, partnerships, and LLCs treated as partnerships should prorate the amount of credit on line 5 among the shareholders, partners, or members based on their ownership interest.

Exception: Credits computed by a partnership or limited liability company may be claimed in proportion to the ownership interests of the partners or members or allocated to partners or members as provided in a written agreement among the partners or members that is entered into no later than the last day of the taxable year of the partnership or limited liability company, for which the credit is claimed.

Show the credit for each shareholder on Schedule 5K-1 and for each partner or member on Schedule 3K-1.

Fiduciaries who file Form 2 must complete lines 3a and 3b.

Required Attachments to Returns

You must include the following information with your Wisconsin franchise or income tax return:

- Schedule LI
- A copy of your allocation certificate to claim tax benefits issued by WHEDA.

Exception for shareholders, partners, members, and beneficiaries: If the credit is received from a tax-option (S) corporation, partnership, LLC treated as a partnership, estate, or trust, include a copy of Schedule 5K-1, 3K-1, or 2K-1 with Schedule LI instead of the allocation certificate to claim tax benefits issued by WHEDA.

- If the credit was allocated by the partnership as provided in a written agreement, include a copy of the agreement

Additional Information

For more information, you may:

- For credit eligibility questions, contact WHEDA: wheda.com/developers-and-property-managers/tax-credits/htc
 - Email to info@wheda.com
 - Call 1-800-334-6873
- For tax related questions, e-mail your question to: DORFranchise@wisconsin.gov
 - Call (608) 266-2772 [TTY: Call the Wisconsin Telecommunications Relay System at 711. If no answer, dial 1-800-947-3529]
 - Send a FAX to (608) 267-0834

Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations in effect as of November 1, 2020: Chapter 71 Wis. Stats.