

## Announcement 94-130, IRC Section 42

The following additional instructions for Form 8693, Low-Income Housing Credit Disposition Bond, amplify and clarify how a qualified surety may terminate its liability on a bond:

The surety (or coinsuring surety) may terminate its liability provided the surety notifies the principal and the Internal Revenue Service at least 60 days before the date on which the surety wants to terminate its liability. The notice must state that the principal has 60 days from the termination date to obtain an adequate superseding or strengthening bond from another qualified surety (or coinsuring surety). The notice to the IRS should be sent to the Internal Revenue Service Center, Philadelphia, PA 19255.

If the surety gives notice but does not meet the 60-day notification requirement, or if the surety fails to include a termination date in the notice, the surety's liability will terminate 60 days after the postmark date on the envelope containing the notice.

Failure of the principal to post a strengthening or superseding bond within 60 days from the date on which a surety's liability on a bond terminates will result in recapture of the low-income housing credit under section 42(j).

These additional instructions apply immediately. The current Form 8693 (July 1994) may continue to be used with the implied understanding that these additional instructions apply. However, the above additional instructions will be incorporated in a revised Form 8693 that will be available after the first of the year from the IRS Distribution Sites. It can be ordered by calling 1-800-TAX FORM.