

## **September 30, 1994**

The Internal Revenue Service is granting the relief provided in this notice to taxpayers who, as a result of the devastation caused by the earthquake in the California counties of Los Angeles, Ventura, and Orange, designated as disaster areas by the President on January 17, 1994, are unable to comply with certain requirements of the low-income housing credit under section 42 of the Internal Revenue Code. This relief is being granted pursuant to the Service's authority under section 42(n) and section 1.42-13(a) of the Income Tax Regulations.

### **Relief for Carryover Allocations**

Taxpayers who received a 1994 allocation of credit under section 42(h)(1)(E) and who, as a result of the earthquake, cannot satisfy the requirement that more than 10 percent of the reasonably expected basis in the project be incurred by December 31, 1994, will be deemed to have satisfied this requirement if more than 10 percent of the reasonably expected basis in the project is incurred by June 30, 1995. In addition, taxpayers who received a 1992 allocation of credit under section 42(h)(1)(E) or (F) and who, as a result of the earthquake, could not satisfy the requirement that the project be placed in service by December 31, 1994, will not lose the allocation otherwise allowable if the project is placed in service by December 31, 1995. Taxpayers who received a 1993 allocation of credit under section 42(h)(1)(E) or (F) and who, as a result of the earthquake, could not satisfy the requirement that the project be placed in service by December 31, 1995, will not lose the allocation otherwise allowable if the project is placed in service by December 31, 1996.

### **Relief from Recapture**

Pursuant to section 42(j)(4)(E), taxpayers owning buildings that are beyond the first year of the credit period and that, by reason of the earthquake, would otherwise suffer recapture or loss of credit due to a reduction in qualified basis are not subject to recapture and loss of credit to the extent that the casualty losses are restored by reconstruction or replacement within a reasonable period. Credits claimed during the reconstruction or replacement period are based on the building's qualified basis at the close of the tax year that preceded the earthquake.

### **Relief from Compliance Monitoring**

If the requirements for certifications, supporting documents, or other information under section 42(m)(1)(B)(iii) could not be timely satisfied as a result of the earthquake, an extension is granted through December 31, 1994, to satisfy these requirements.

### **Other Relief**

Pursuant to the authority under section 42(n) and section 1.42-13(a), the Service will consider granting relief for situations not covered by this notice that are brought to its attention.

### **Drafting Information**

The principal author of this notice is David Selig of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this notice contact Mr. Selig on (202)622-3040 (not a toll-free call).