

Private Letter Ruling 8949064, IRC Section 42

Dear ***:

This is in response to a letter dated April 27, 1989, submitted on behalf of Corporation X by your authorized representative. The letter explains that some of the factual information stated in a letter ruling issued to you on February 23, 1989, and publicly disclosed is inaccurate. The inaccuracy was due to the inadvertent Submission of certain information along with your June 28, 1988, submission. We are writing to you now to correct those factual statements and provide you with a new page 2 of the February 23, 1989, letter ruling control number TR-31-01196-88, PLR 8920073.

Page 2 of the February 23, 1989, letter ruling incorrectly stated the following: "All the outstanding shares of Corporation X are held by Individual E." That statement is amended to read as follows: "All the outstanding shares of Corporation X are held by Individual E and Individual N, who each hold r shares."

Page 2 of the February 23, 1989, letter ruling also incorrectly stated the following: "All of the outstanding shares of Corporation Y are held by Individual I." That statement is amended to read as follows: "All the outstanding shares of Corporation Y are held by Individual I, Individual O, Individual P, and Individual Q, who each hold s shares."

We regret any inconvenience these inaccuracies may have caused you. Should you have any questions, contact the above named representative of this office. In accordance with a power of attorney on file in our office, a copy of this letter is being sent to your authorized representative.

Sincerely yours,

James Ranson

Chief, Branch 5

Office of the Assistant Chief Counsel

(Passthroughs and Special Industries)

Dear ***:

This is in response to your request for a ruling dated February 26, 1988, and subsequent communications submitted on your behalf by your authorized representative. Your letter requests a ruling regarding the availability of the low-income housing credit under section 42 of the Internal Revenue Code to the proposed transaction.

You have represented that Corporation X is a corporation organized in State A on b. Corporation X is a real estate broker licensed to sell, lease and otherwise transact in real property. In addition, Corporation X is an investor in real estate and buys and sells for its own account. As of c, Corporation X had d shares of common stock issued and outstanding. All the outstanding shares of Corporation X are held by Individual E and Individual N, who each hold r shares. The federal income tax returns of Corporation X are filed on a fiscal year basis ending f.

Corporation Y is an S corporation incorporated in State A on g. Corporation Y constructs and builds single-family, condominium and townhouse buildings and structures. As of c, Corporation Y had h shares of stock which were issued and outstanding. All of the outstanding shares of Corporation Y are held by Individual I, Individual O, Individual P, and Individual Q, who each hold s shares. Corporation Y computes its income under the accrual method of accounting and files its federal income tax returns on a calendar year basis.

The managements of Corporation X and Corporation Y have considered the possibility of implementing a plan in which newly constructed town-homes will be utilized to provide affordable housing for low-income individuals. Corporation Y has already constructed j townhouses, none of which are the subject of this request. The houses are newly constructed, high-quality and located in suburban City on Street L Corporation Y is in the process of constructing additional m townhouse units on Street L and has commissioned and contracted with Corporation X, its agent, to sell these latter units to independent owners who will use such units as low-income housing buildings.

The m townhouses that Corporation Y is constructing for this purpose are the subject of this ruling request. Corporation X intends to market each of the m new townhouses as a qualified