

FORM  
**N-587**  
(REV. 2009)

**LOW-INCOME HOUSING CREDIT DISPOSITION BOND**

(For use by taxpayers posting bond under IRC section 42(j)(6))  
Attach to your return after receiving Department of Taxation approval.

Name of taxpayer making disposition	SSN/FEIN
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**PART I BONDING**

1 Address of building as shown on federal Form 8609 (do not use P.O. box)	2 Building identification number
	3 Date the 15-year compliance period ends
4 Check the box that applies: This is a <input type="checkbox"/> strengthening bond, or <input type="checkbox"/> superseding bond.	5 Date property interest disposed of
	6 Date bond issued

7a Bond is given by \_\_\_\_\_ (\_\_\_\_\_) \_\_\_\_\_  
Principal Telephone number (optional)

\_\_\_\_\_ Address \_\_\_\_\_  
as principal and \_\_\_\_\_ as surety or sureties.  
Surety \_\_\_\_\_  
Address \_\_\_\_\_

7b As principal and surety, we are obligated to the State of Hawaii in the amount of \$ \_\_\_\_\_. We also jointly and severally obligate our heirs, executors, administrators, successors, and assigns for the payment of this amount.

**PART II SIGNATURES**

I declare, under the penalties set forth in section 231-36, HRS, that I have examined this form and any accompanying statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature of principal	Name (please print)	Date
Signature of principal	Name (please print)	Date
Signature of surety	Name and identifying number (please print)	Date
Signature of surety	Name and identifying number (please print)	Date

**PART III CERTIFICATE OF CORPORATE PRINCIPAL (CORPORATIONS ONLY)**

I certify that the person above, who signed on behalf of the principal, was an authorized representative of the corporation.

Signature of secretary of the corporation	Name (please print)	Date
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**PART IV APPROVAL BY THE HAWAII DEPARTMENT OF TAXATION (SEE INSTRUCTIONS.)**

Bond approved \_\_\_\_\_ Date \_\_\_\_\_ Department of Taxation Official \_\_\_\_\_

**GENERAL INSTRUCTIONS**

Section references are to the Internal Revenue Code.

**Purpose of Form**

Use Form N-587 to post a bond under section 42(j)(6), adopted by Hawaii, to avoid recapture of the low-income housing credit on dispositions before August 1, 2008.

The bond ensures payment of the recapture tax imposed under section 42(j). The conditions of the bond are that the principal (i.e., taxpayer):

- Does not attempt to defraud the State of Hawaii of any tax under section 42(j);
- Files all returns and statements as required by law or regulations;
- Pays all taxes including any penalties and interest charges; and
- Complies with all other requirements of the law and regulations under section 42 as adopted by Hawaii.

**Qualifying Sureties**

The company acting as surety must hold a Certificate of Authority from the Department of the Treasury, Financial Management Service. The companies are listed in Treasury Circular 570. You may get a copy of this circular by writing to the Department of the Treasury, Financial Management Service, Surety Bond Branch 3700 East West Hwy., Hyattsville, MD 20782, or by calling (202)

874-6850 (not a toll-free number). The circular is also available on the Internet at www.fms.treas.gov/c570/c570.html.

A taxpayer may not be a surety for itself, nor may a member of a firm or a partner in a partnership be a surety for the firm or partnership of which he or she is a member or a partner.

**Surety Termination**

If a surety's certificate of authority is terminated, the surety may be relieved of liability under the bond provided it notifies the principal and the Hawaii Department of Taxation by the date the termination announcement is published in the Federal Register. The notice must be sent by certified mail and must state that the principal has 60 days from the date the termination announcement is published in the Federal Register to get an adequate strengthening or superseding bond with another surety listed in Treasury circular 570. If notice is given, the principal's rights under the bond will end 60 days after the date the termination announcement is published in the Federal Register.

A qualified surety (or coinsuring surety) may terminate its liability on a bond only if the surety notifies the principal and the Hawaii Department of Taxation at least 60 days before the date 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).

If the surety does not provide this notice, it remains liable for the amount posted on the bond. If the surety gives notice but does not meet the 60-day notification requirement or fails to include a termination date in the notice, the surety's liability will terminate 60 days after the postmark date on the notice.

Send the State of Hawaii copy of the notice to the Hawaii Department of Taxation at P.O. Box 259, Honolulu, HI 96809-0259.

If the principal fails to post a strengthening or superseding bond within 60 days from the date (a) the termination announcement is published in the Federal Register or (b) on which a surety's liability on a bond terminates, recapture under section 42(j) is required.

**Period of Bond**

The liability stated on the bond must be for the period of years remaining in the 15-year compliance period of the building plus an additional 58 months. The compliance period begins with the tax year the building was placed in service or the succeeding tax year if the election under section 42(f)(1) is made.

**Recordkeeping**

Keep a copy of all forms relating to the Low-Income Housing Credit for 58 months after the 15-year compliance period ends.

**Who Must File**

Taxpayers who claimed a low-income housing credit on a residential rental building and later (in a tax year during the 15-year compliance period) disposed of the building or an ownership interest in it before August 1, 2008 must file this form to avoid recapture of the credit claimed. A de minimis rule may apply to certain dispositions of interest in partnerships that own buildings in which a credit was claimed. See Rev. Rul. 90-60, 1990-2 C.B. 3, for additional information.

**Partnerships**

*Section 42(j)(5) partnerships.* — Any person holding a power of attorney in a section 42(j)(5) partnership (a partnership with 35 or more partners that has not elected out of the section 42(j)(5) provisions) may post bond as principal on behalf of the partnership. A bond posted on behalf of a partnership must be posted in the partnership's name, with the name of the authorized representative of the partnership posting the bond appearing immediately below the partnership's name.

*Partnerships that elected out of the section 42(j)(5) provisions or have fewer than 35 partners.* — If partners in partnerships to which section 42(j)(5) does not apply want to post bond, the partners must post bond in their individual capacity as principals.

**When and Where to File**

Submit the original and one copy of Form N-587 to the Hawaii Department of Taxation at P.O. Box 259, Honolulu, HI 96809-0259, within 60 days after the date the termination announcement is published in the Federal Register. The completed form may be submitted by either the taxpayer or the surety. When the IRS returns a copy of the approved Form 8693, submit a copy to the Hawaii Department of Taxation at the above address.

When the Department of Taxation returns a copy of the approved form, attach a copy of it to your income tax return for the year in which the disposition occurred.

**Specific Instructions**

**Line 2. Building Identification Number (BIN).** — This is the number assigned to the building by the housing credit agency on Part I, item E of federal Form 8609, Low-Income Housing Credit Allocation Certification.

**Line 7b. Amount of Bond.** — Use the worksheet below to calculate the bond amount. See Rev. Rul. 90-60 for additional information on the methodology for determining the bond amount.

If the amount is not an even multiple of \$100, increase the bond amount to the next higher multiple of \$100.

**Part III. Certificate of Corporate Principal.** — If the principal is a corporation, the authority of the person posting the bond must be certified by the secretary of the corporation by completing Part III. Or the corporation may attach copies of records that will show the authority of the officer signing if the copies are certified by the secretary to be true copies.

**Part IV. Approval by the Hawaii Department of Taxation.** — The Department of Taxation will notify you of the approval or rejection of the bond. If approved, the Department will send a copy of the approved Form N-587 to the principal shown in Part I. If rejected, the owner must recapture the allowed low-income housing credit using Part III of Form N-586.

**Worksheet for Computing Bond Amount**

1.	Total Hawaii credits taken by you in previous years and any additional Hawaii credits you anticipate claiming for any year or portion thereof preceding the date of disposition.....	\$	_____
2.	Bond factor amount. ....		_____ %
3.	Line 1 multiplied by line 2. ....	\$	_____
4.	Percentage of taxpayer's total interest in the qualified low-income building disposed of.....		_____ %
5.	Bond amount required to be posted (line 3 X line 4). Enter here and on line 7b.....	\$	_____

**Instructions for Worksheet**

**Line 1.** — Enter the total amount of the credits claimed on the building. See Part II of Forms N-586 you have filed. Include any additional credits you anticipate claiming for any period preceding the date of disposition. Do not include credit amounts previously recaptured, credit amounts for which a bond was previously posted, or credits claimed on additions to qualified basis as determined under section 42(f)(3).

**Line 2. Bond Factor Amount.** — Enter the bond factor amount corresponding to the month in the compliance period in which the disposition occurred and the first year of the building's credit period. The IRS announces the monthly bond factor amounts quarterly in a revenue ruling published in the Internal Revenue Bulletin.

**Line 4.** — Enter the ownership interest in the qualified low-income building that you have disposed of. Include ownership interests held both directly and indirectly (e.g., through a partnership).