National Equity Fund
Lower-Tier Year End Tax Return Checklist

YES	NO	N/A	
FORM 1065			**Form 1065 - Schedule K (page 3)**
			Credits agree to Line 6 of Form 8586 and are shown on Line 15 (b)
			If Historic Tax Credits apply, Line 15c should tie to Form 3468 - amount should be the cost base and NOT the credit amount
DEPRECIATION SCHEDULE			
			Verify the building and building improvements are being depreciated over the correct depreciable life (in years) in accordance with the underwriting spreadsheet (27.5 years or 40 years). Generally, depreciation is taken over 40 yrs for tax purposes, however, if taken over 27.5 yrs ensure that the CPA filed for the 168 election if it is the project's first year of operations.
FORM 8586			**Low-Income Housing Credit (summarizes all 8609As)**
			Line 3 of 8586 = sum of line 18 of all 8609 As
FORM 8609			**Low-Income Housing Credit Allocation Certification**

** NOTE** The IRS requires the GP to make a one-time submission of Forms 8609 to the IRS's Low-Income Housing Credit Unit in Bensalem, PA. This one-time submission of Forms 8609 is due on the same date as the tax return, including extensions, for projects starting the compliance period. The 8609-A will continue to be filed annually with the lower-tier tax return throughout the 15-year compliance period.

			If this is the first year of the compliance period, ensure all Forms 8609 are attached and scanned into SMT with the return (or as a separate document)
			Part I is completed and signed by the State Allocating Agency
			Part II should be completed with respect to the first year of the credit period and should be signed by the building owners.
			The lesser of Line 7b or 3a on Form 8609 equals line 1 of Form 8609A
			Form 8609 Schedule A (Form 8609 Annual Statement)
			There is a Form 8609-A each 8609
			Line 2 on Form 8609 = line 5 on Form 8609-A
			Recalculate credits reflected on Form 8609-A for accuracy
SCHEDULE K-1			
			If it is a NEF Assignment Corporation **(NEFAC)** project, the federal and state K-1's for this project must be issued in the name of NEFAC using NEFAC's Tax ID (FEIN), which is **36-4326848**. Please make sure the K-1's are addressed to the limited partner as follows: **NEF Assignment Corporation acting as nominee.**
			Additionally, Line K of the K-1, which states "what type of entity is this partner?", the entity type should be identified as "Nominee". **Note:** NEFAC projects are typically in the 2000 and later NEF, CEF and Single-Investor funds (See LPA)
			If it is not a NEFAC project, the Federal ID # and LP name for the fund is correct (agree to Fund Information Screen in SMT)
			Verify that the GP listed on the K-1 ties out to the GP in the partnership agreement and who is listed as the GP in SMT (all three should be the same). If the GP changed during the course of the project's life it should be documented as such in an amendment.
			Mailing address for the fund is correct - **120 S. Riverside Plaza, 15th Floor, Chicago, IL 60606**
			Section J - all partners' %'s are correct and agree to partnership agreement
			Section K - the non-recourse debt allocated to the fund is equal to the total non-recourse debt and related accrued interest payable (agree to the lower-tier audit) multiplied by the profit/loss sharing %. Non-recourse debt is debt collateralized/secured by property; not an individual.
			Section L - "Capital contributed during the year" is correct - contributions should be recorded in K-1 when paid (cash basis) and NOT accrued up front. Contributions should agree to SMT payment screen and to LP receivable confirmation on the NEF website.
			Section L - For all projects closed in 2004 and later, partners' capital account analysis should be on a "Tax Basis". Verify that the checkbox at bottom of section for "Tax Basis" is marked.
			Part III - all fund income (losses) (primarily Line 2, Line 5) and credits (Line 15 b or c) are calculated correctly
			****VERY IMPORTANT**** amounts should equal Form 1065 (appropriate line) multiplied by profit/loss sharing %
			If project was disposed of during the year, K-1 should be checked "Final K-1" (top right-hand side) with the Ending Capital Account reflecting zero in section N.
			If K-1 is marked "Amended" (top right-hand side), discuss with year-end reporting department to ensure changes are properly captured.
ELECTIONS			**Elections must be made in first year of tax return (does not apply to 2nd and later returns):**
			Start-up Expenditures (IRC Section 195)
			Organizational Expenditures (IRC Section 709)
			Real Estate Taxes (IRC Section 461(c))
		NOTE	**The above elections represent the typical elections made in our partnerships. Any variations from these elections should be investigated and discussed.**
OTHER			
			State tax return received and scanned into SMT (CA, MO and NC are critical state returns as state credits are taken at fund level - Other states may apply). If California state credits, verify that forms 3521A are included in the state return. If not included with the state return, obtain the forms 3521A from lower-tier and scan into SMT
		NOTE	**Any "No" answers should be followed up on with either Fund Accounting or the lower-tier CPA. Judgment should be used as to the impact of any errors noted. Errors in credits, tax ID #'s, partner names and first year elections must be addressed in the current year. Other errors may be items that can be fixed on a go forward basis after discussing with the CPA.**

Last Updated: 2/8/2006