Indiana Department of Revenue

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Income Tax Information Bulletin	#120
Subject:	Attainable Homeownership Tax Credit
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Introduction

In 2023, the Indiana General Assembly enacted IC 6-3.1-40.9, which created a new Attainable Homeownership Tax Credit (the credit). The credit is available for contributions to an affordable housing organization approved by the Indiana Economic Development Corporation (IEDC). IEDC has approved only Habitat for Humanity of Indiana (Habitat Indiana) as an organization eligible to receive credit-eligible contributions. Any reference to Habitat Indiana also includes local affiliates of Habitat Indiana except as specifically noted.

Tax Credit and Contributions Eligible for Credit

The credit is equal to 50% of the taxpayer's contributions made to Habitat Indiana, up to a maximum credit of $10,000 per taxpayer. In the case of married spouses filing a joint tax return, the limit is $10,000 per couple. For a pass-through entity, the $10,000 per taxpayer limit is determined at the pass-through entity level. However, in the case where a pass-through entity makes a contribution that is intended to permit one or more individuals or entities to avoid the $10,000 per taxpayer limitation, the department may limit an individual's or entity's credit intended to avoid the $10,000 limitation.

Any contributions of cash, securities, real property, or tangible personal property are eligible for the credit. Any contributions other than cash shall be treated as a contribution at the fair market value of the item at the time of the contribution. If the items are sold to Habitat Indiana, the contribution will equal the amount that would be allowable as a federal charitable contribution to the seller.

The value of services or labor contributed to Habitat Indiana is not considered a contribution to Habitat Indiana for purposes of this credit. In addition, the reduced cost or free use of equipment or leased property to Habitat Indiana is not considered a contribution to Habitat Indiana.

In the case of a credit awarded to a pass-through entity such as a partnership or an S corporation, the credit is attributed to the owners based on their percentage interest in partnership or S corporation's distributive income.

Reporting the Credit

To report the credit, Schedule IN-OCC, Part A must be completed. Code 875 must be used to report the credit if it is claimed directly against a taxpayer's own liability. Code 1875 must be used by a pass-through entity claiming the credit against composite withholding tax liabilities. Habitat Indiana will provide a certifying number for the credit, which must be listed on Schedule IN-OCC, Part A as the PIN on the line on which the credit is reported. If the credit is claimed from separate sources or separate contributions, the credits must be listed separately.

If any credit is carried forward, either to a future year or from a prior year, they must also be listed on Schedule IN-OCC, Part B. Include the PIN for the credit reported on Schedule IN-OCC, Part B.

Annual Credit Claims and Overall Limitations

The credit allowable to a taxpayer is limited to the taxpayer's state adjusted gross income tax liability or financial institutions tax liability for a taxable year after application of other nonrefundable credits allowable prior to the credit. If a credit is not allowable for a taxable year due to the limitation of the taxpayer's tax liability, the unused credit can be carried forward for up to five years after the first taxable year for which the credit was allowable and must be reduced as it is claimed.

In addition, the amount of credit claims is limited to $4 million per state fiscal year. For purposes of applying the limitation, the department will apply the limitation as follows:

- The department will list the current fiscal-year claims and/or remaining amount of the credit on its website.
- The credit reported as allowable for the taxable year will be reported in the order in which the return is received, from July 1 until the following June 30.
- For a credit reported by a pass-through entity, the credit shall not be treated as reported for purposes of the annual credit limitation until the owners report their respective credits.
- If a credit is carried over from a prior taxable year, the credit will be applied to the limitation for the fiscal year in which the credit is actually used.
- If the annual credit limitation is reached for a fiscal year, any credit claimed on a return filed during the remainder of the fiscal year shall not be permitted, and
    - The credit otherwise allowable on the return shall be permanently disallowed, though any carryovers shall be permitted. For instance, assume an individual had a $10,000 credit for 2024 and was limited to $8,000 due to state tax liability. If the

return came in after the annual credit limitation was reached, the $8,000 credit will be permanently disallowed but the $2,000 carryover into 2025 through 2029 will be permitted.

- The resulting tax from the credit disallowance shall not be subject to penalties under IC 6-3-4-4.1, IC 6-5.5, or IC 6-8.1-10-2.1.

- If a credit is subsequently disallowed for a taxpayer due to insufficient tax liability, the credit shall be treated as allowable for the year in which the liability was first claimed.
- If a credit is properly claimed in a fiscal year but later applied to a previous taxable year (e.g., an increase in liability for the prior taxable year), the credit will be applied for cap purposes in the fiscal year of the original claim.

If you have any questions concerning this bulletin, contact the Tax Policy Division at taxpolicy@dor.in.gov.

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Commissioner
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