

## §1.42-4

FINAL-REG, 2001FED ¶4384A, §1.42-4, **Application of not-for-profit rules of section 183 to low-income housing credit activities.--**

### **§1.42-4 Application of not-for-profit rules of section 183 to low-income housing credit activities.--**

(a) *Inapplicability to section 42.* In the case of a qualified low-income building with respect to which the low-income housing credit under section 42 is allowable, section 183 does not apply to disallow losses, deductions, or credits attributable to the ownership and operation of the building.

(b) *Limitation.* Notwithstanding paragraph (a) of this section, losses, deductions, or credits attributable to the ownership and operation of a qualified low-income building with respect to which the low-income housing credit under section 42 is allowable may be limited or disallowed under other provisions of the Code or principles of tax law. *See, e.g.*, Sections 38(c), 163(d), 465, 469; *Knetsch v. United States*, 364 US 361 (1960), 1961-1 CB 34 (“sham” or “economic substance” analysis); and *Frank Lyon Co. v. Commissioner*, 435 US 561 (1978), 1978-1 CB 46 (“ownership” analysis).

(c) *Effective date.* The rules set forth in paragraphs (a) and (b) of this section are effective with respect to buildings placed in service after December 31, 1986. [Reg. §1.42-4.]

**.01 Historical Comment:** Proposed 11/13/91. Adopted 6/10/92 by T.D. 8420.