

Boston Capital

INSTRUCTIONS FOR REPORTING GAINS

SCHEDULE K-1, PART III, BOX 10 AND/OR 11

The following instructions have been included with your Schedule K-1 to assist you reporting the Section 1231 gain (box 10) and/or the passive long-term capital gain (box 11) reported on your schedule K-1. The gain(s) result from the disposition of one or more of your Boston Capital partnership's real estate and/or operating partnership investments.

NOTE: The following discussion assumes the only passive activity you have is the Boston Capital investment reporting the gain in Schedule K-1, box 10 and/or 11. If you have more than one passive activity, the manner in which your Schedule K-1 amounts are summarized and reported for tax purposes may differ materially from these instructions.

While we have tried to present this information clearly and concisely, it should not be construed as legal or tax advice from Boston Capital or the Partnership (Fund). All investors are encouraged to read and follow the instructions to the applicable federal tax forms which are mentioned here or consult with their tax advisors when applying this information to their own tax situations.

STEP 1

DETERMINE YOUR ALLOWABLE PASSIVE LOSS

As the gain reported in Box 10 and/or 11 is passive income, the amount must be included in the passive activity loss limitations calculated on Form 8582.

- If all passive activity income and loss amounts (including any prior year unallowed losses) result in an overall gain, **Form 8582 is not required**, and the income and/or loss amounts should be reported as indicated in STEP 2 below.
- If all passive activity income and loss amounts (including any prior year unallowed losses) result in an overall loss, the following instructions should be used to complete **Form 8582**

From Your Schedule K-1 Form

The income amount in box 10 and/or 11
The rental loss reported in box 2
Any prior year unallowed losses
(from prior year Form 8582 worksheets)

should be reported on
should be reported on
would be reported on

Form 8582

line 3a
line 3b
line 3c

Part IV of the Form 8582 will determine the amount of passive losses allowed in the current year.

If your current year rental loss from box 2 of the Schedule K-1 and prior year unallowed losses are greater than the amount of income reported in box 10 and/or 11 of your Schedule K-1, the amount of passive losses allowed for the current year (as calculated on line 16 of the Form 8582) will be equal to the sum of any income reported in box 10 and/or 11 of your Schedule K-1.

STEP 2 - SCHEDULE K-1, BOX 10 ONLY

REPORTING YOUR PASSIVE INCOME AND LOSS AMOUNTS

The worksheets to Form 8582 should be used to determine where to report the income and loss amounts.

Report Your...

Passive Loss Allowed (calculated on Form 8582)
Income (Box 10 of Schedule K-1)

on
on

Form 1040 - Schedules

Schedule E, Part II Line 28, column (g)
Form 4797, Line 2

Do not complete columns (b) through (f) of Form 4797, line 2. Write "From Schedule K-1 (Form 1065)" across these columns and report the gain from box 10 of your Schedule K-1 in column (g).

- The total income/loss from Schedule E, line 41 would be reported on Schedule 1 (Form 1040), line 5.
- The total Additional Income from Schedule 1 (Form 1040), line 9 would be reported on Form 1040, Line 7a.
- The total gain from Form 4797 would be reported as a long-term capital gain on Schedule D (Form 1040), line 11.
- The net gain calculated on Schedule D, would then be reported on Form 1040, Line 6.

Note: In most cases, the tax on capital gain income will be calculated on the Schedule D Tax Worksheet that begins on page D-16 of the Schedule D instructions. Please read and follow the instructions to Schedule D, line 19 with respect to any amounts reported in Schedule K-1, box 9c, "Unrecaptured Section 1250 gain".

SEE REVERSE SIDE FOR STEP 2 – BOX 11 ONLY INSTRUCTIONS

STEP 2 - SCHEDULE K-1, BOX 11 ONLY

REPORTING YOUR PASSIVE INCOME AND LOSS AMOUNTS

The worksheets to Form 8582 should be used to determine where to report the income and loss amounts.

Report Your...

Passive Loss Allowed (calculated on Form 8582)
Income (Box 11 of Schedule K-1)

on
on

Form 1040

Schedule E, Part II Line 28, column (f)
Schedule D, Line 12

- The total income/loss from Schedule E, line 41 would be reported on Schedule 1 (Form 1040), line 5.
- The total Additional Income from Schedule 1 (Form 1040), line 9 would be reported on Form 1040, Line 7a.
- The net gain calculated on Schedule D, would then be reported on Form 1040, Line 6.

Note: In most cases, the tax on capital gain income will be calculated on the Schedule D Tax Worksheet that begins on page D-16 of the Schedule D instructions. Please read and follow the instructions to Schedule D, line 19 with respect to any amounts reported in Schedule K-1, box 9c, "Unrecaptured Section 1250 gain".