FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

KRUPP GOVERNMENT INCOME TRUST	Mailing Address	Business Address
CIK:**857264**| IRS No.: **043089272** | State of Incorp.:**MA** | Fiscal Year End: **1231** Type: **10-K** | Act: **34** | File No.: **000-19244** | Film No.: **99574661** SIC: **6798** Real estate investment trusts	*470* *ATLANTIC AVE* *BOSTON MA 02210*	*470 ATLANTIC AVE* *BOSTON MA 02210* *6174232233*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to
Commission file number 0-19244

Krupp Government Income Trust
(Exact name of registrant as specified in its charter)

Massachusetts	04-3089272
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One Beacon Street, Boston, Massachusetts	02108
(Address of principal executive offices)	(Zip Code)
(Registrant's telephone number, including area code)	(617) 523-0066

Securities registered pursuant to Section 12(b) of the Act:

Title	Name of Exchange on which Registered
Shares of Beneficial Interest	None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ].

Aggregate market value of voting securities held by non-affiliates:
Not applicable.

Documents incorporated by reference: see Part IV, Item 14

The exhibit index is located on pages 13-21

PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including those identified herein.

ITEM 1. BUSINESS

Krupp Government Income Trust (the "Trust") was formed on November 1, 1989 by filing a Declaration of Trust in the Commonwealth of Massachusetts. The Trust is authorized to sell and issue not more than 17,510,000 shares of beneficial interest ("the Shares"). The Trust raised approximately $300 million through a public offering of Shares of beneficial interest and used the proceeds available for investment primarily to acquire participating insured mortgages ("PIMs"), participating insured mortgage investments ("PIMIs"), and mortgage-backed securities ("MBS"). The Trust considers itself to be engaged in only one industry segment, investment in mortgages. The Trust has elected to be treated as a real estate investment trust (AREIT@) under the Internal Revenue Code of 1986, as amended. The Trust shall terminate on December 31, 2029, unless earlier terminated by the affirmative vote of holders of a majority of the outstanding Shares entitled to vote thereon.

The Trust's investments in PIMs on multi-family residential properties consist of 1) a MBS or an insured mortgage loan (collectively, the "insured mortgage") guaranteed or insured as to principal and basic interest and 2) a participating mortgage. The insured mortgages were issued or originated under or in connection with the housing programs of Fannie Mae, the Government National Mortgage Association ("GNMA"), or the Federal Housing Administration ("FHA") under the authority of the Department of Housing and Urban Development ("HUD"). PIMs provide the Trust with monthly payments of principal and basic interest and may also provide for Trust participation in the current revenue stream and in residual value, if any, from a sale or other realization of the underlying property. The borrower conveys the participation rights to the Trust through a subordinated promissory note and mortgage. The participation features are neither insured nor guaranteed.

The PIMIs consist of 1) an insured mortgage issued by GNMA or originated under the lending program of the FHA, 2) an additional loan ("Additional Loan") to the borrower or owners of the borrower in excess of mortgage amounts insured under GNMA or FHA programs that increases the Trust's total financing with respect to that property and its participation interests and 3) a participating mortgage. Additional Loans associated with an insured mortgage issued or originated in connection with HUD insured programs cannot, under government regulations, be collateralized by a mortgage on the underlying property. These Additional Loans are typically collateralized by a security interest satisfactory to Berkshire Mortgage Advisors Limited Partnership ("the Advisor"). The Additional Loans are neither insured nor guaranteed. In addition, the participation features related to the participating mortgage are neither insured nor guaranteed. Additional Loans provide the Trust with semi-annual interest payments and may provide additional interest in the future while the participating mortgage provides for Trust participation in the net income and residual value, if any, of the underlying property.

The Trust also acquired MBS collateralized by single-family and multi-family mortgage loans issued or originated by GNMA, Fannie Mae, the Federal Home Loan Mortgage Corporation ("FHLMC") or FHA. Fannie Mae and FHLMC guarantee the principal and basic interest of the Fannie Mae and FHLMC MBS, respectively. GNMA guarantees the timely payment of principal and interest on its MBS, and HUD insures the pooled mortgage loans underlying the GNMA MBS and FHA mortgage loans. The Trust will distribute all proceeds from prepayments or other realizations of mortgage assets to investors either through quarterly dividends or possibly special dividends.

Although the Trust will terminate no later than December 31, 2029, the value of the PIMs and PIMIs may be realized by the Trust through repayment or sale as early as ten years from the dates of the closings of the permanent loans, and the Trust may realize the value of all of its other investments within that time frame thereby resulting in a dissolution of the Trust significantly prior to December 31, 2029.

The Trust's investments are not expected to be subject to seasonal fluctuations, although net income may vary somewhat from quarter to quarter based upon the participation features of its investments. The requirements for compliance with federal, state and local regulations to date have not adversely affected the Trust's operations, and the Trust anticipates no adverse effect in the future.

To qualify as a real estate investment trust ("REIT") for federal income tax purposes, the Trust made a valid election to be so treated and must continue to satisfy a range of complex requirements including criteria related to its ownership structure, the nature of its assets, the sources of its income and the amount of its dividends to shareholders. The Trust intends to qualify as a REIT in each year of operation, however, certain factors may have an adverse effect on the Trust's REIT status. If for any taxable year, the Trustees and the Advisor determine that any of the asset, income, or distribution tests are not likely to be satisfied, the Trust may be required to borrow money, dispose of mortgages or take other action to avoid loss of REIT status.

Additionally, if the Trust does not qualify as a REIT for any taxable year, it will be subject to federal income tax as if it were a corporation and the shareholders will be taxed as shareholders of a corporation. If the Trust were taxed as a corporation, the payment of such tax by the Trust would substantially reduce the funds available for dividends to shareholders or for reinvestment. To the extent that dividends had been made in anticipation of the

Trust's qualification as a REIT, the Trust might be required to borrow additional funds or to liquidate certain of its investments in order to pay the applicable tax. Moreover, should the Trust's election to be taxed as a REIT be terminated or voluntarily revoked, the Trust may not be able to elect to be treated as a REIT for the following five-year period.

As of December 31, 1998, there were no personnel directly employed by the Trust.

ITEM 2. PROPERTIES

None.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Trust is a party or to which any of its investments are subject to.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

There currently is no established public trading market for the Shares.

The number of investors holding Shares as of December 31, 1998 is approximately 13,200.

The Trust has and intends to continue declaring and paying dividends on a quarterly basis. The Trustees established a dividend rate per Share per quarter of $.325 for 1998 and 1997.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial information regarding the Trust's financial position and operating results. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Financial Statements and Supplementary Data, which are included in Item 7 and Item 8 (Appendix A) of this report, respectively.

<TABLE>
<CAPTION>

(Amounts in thousands, except for per Share amounts)

<S>	1998 <C>	1997 <C>	1996 <C>	1995 <C>	1994 <C>
Total revenues	$ 21,922	$ 17,618	$ 16,358	$ 17,200	$ 16,846
Net income	$ 14,836	$ 12,899	$ 12,481	$ 13,022	$ 12,599
Net income per Share	$ .99	$ .86	$ .83	$ .87	$ .84
Weighted average Shares outstanding	15,053	15,053	15,053	15,053	15,053
Total assets at December 31	$171,422	$221,779	$241,634	$247,620	$251,333
Average dividends per Share	$ 4.16	$ 2.22	$ 1.30	$ 1.30	$ 1.30

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including those identified herein.

The Advisor of the Trust has conducted an assessment of the Trust's core internal and external computer information systems and has taken the further necessary steps to understand the nature and extent of the work required to make its systems Year 2000 ready in those situations in which it is required to do so. The Year 2000 readiness issue concerns the inability of computerized information systems to accurately calculate, store or use a date after 1999. This could result in a system failure or miscalculations causing disruptions of operations. The Year 2000 issue affects virtually all companies and all organizations.

In this regard, the Advisor of the Trust, along with certain affiliates, began a computer systems project in 1997 to significantly upgrade its existing hardware and software. The Advisor completed the testing and conversion of the financial accounting operating systems in February 1998. As a result, the Advisor has generated operating efficiencies and believes its financial accounting operating systems are Year 2000 ready. The Advisor of the Trust incurred hardware costs as well as consulting and other expenses related to the infrastructure and facilities enhancements necessary to complete the upgrade and prepare for the Year 2000. There are no other significant internal systems or software that the Trust is using at the present time.

The Advisor of the Trust is in the process of evaluating the potential adverse impact that could result from the failure of material third-party service providers (including but not limited to its banks and telecommunications providers) and significant vendors to be Year 2000 ready. The Trust is in the process of surveying these third party providers and assessing their readiness with year 2000. To date, the Trust is not aware of any problems that would materially impact its results of operations, liquidity or capital resources. However, the Trust has not yet obtained all written assurances that these providers would be Year 2000, ready.

The Trust currently does not have a contingency plan in the event of a particular provider or system not being Year 2000 ready. Such plan will be developed if it becomes clear that a provider is not going to achieve its scheduled readiness objectives by June 30, 1999. The inability of one of these providers to complete its Year 2000 resolution process could impact the Trust. In addition, the Trust is also subject to external forces that might generally affect industry and commerce, such as utility and transportation company Year 2000 readiness failures and related service interruptions. To date, The Trust has not incurred any cost associated with being Year 2000 ready. All costs have been incurred by the Advisor and it is estimated that any future Year 2000 readiness costs will be borne by the Advisor. No estimate can be made at this time as to the impact of the readiness of such third parties.

Liquidity and Capital Resources

At December 31, 1998 the Trust had significant liquidity consisting of cash and cash equivalents of approximately $9 million as well as the cash inflows provided by its investment in the PIMs, PIMIs and MBS. The Trust anticipates that these sources will be adequate to provide the Trust with sufficient liquidity to meet its obligations as well as to provide dividends to its investors.

The most significant demand on the Trust's liquidity is dividends paid to investors, approximately $4.9 million per quarter. The Trust currently has an annual dividend rate of $1.30 per share, paid in quarterly installments of $.325 per share. Funds for the dividends distributed by the Trust come from the principal and interest payments on the PIMs, PIMIs and MBS, the principal prepayments of the PIMs, PIMIs and MBS, and the interest earned on the Trust's cash and cash equivalents. The portion of dividends attributable to the principal collected from those payments reduces the capital resources of the Trust. As the capital resources of the Trust decrease, the total cash flows to the Trust also will decrease and over time may result in periodic adjustments to the dividends paid to investors.

Seven of the Trust's PIMIs funded the construction of multifamily housing, which requires time to achieve stabilized operations following the completion of the construction. With this in mind, the Trust required those borrowers to escrow a portion of the Additional Loan proceeds in reserves so funds would be available for the PIMI Base Interest payments during the construction and lease-up periods. As these reserves become depleted, full payment of the Additional Loan interest becomes primarily dependent on whether the underlying properties generate sufficient operating cash flow to make such payments.

Three properties with Additional Loans, Audubon Villas, Park Highlands and The Seasons made the scheduled 1998 Additional Loan interest payments with operating cash flow. Two others, Lifestyles and Windward Lakes, operated under workout agreements with the Trust during 1998 that require Additional Loan interest payments only if surplus cash is generated through property operations after servicing the insured first mortgage. Lifestyles did not generate any surplus cash during 1998 and consequently did not make any Additional Loan interest payments. Windward Lakes generated some surplus cash and made a partial Additional Loan interest payment during 1998 that the Trust has recognized as deferred income. Mountain View did not generate surplus cash during 1998, and its borrower funded one partial Additional Loan interest payment during 1998; the remaining payment remains outstanding while a workout is negotiated. Red Run generated some surplus cash during 1998, which funded a portion of the Additional Loan interest payment; the balance was funded with reserves held in escrow by the Trust. Only Red Run still has adequate reserves held in escrow by the Trust to make the scheduled 1999 Additional Loan interest payments if property cash flow is insufficient. Additional Loan interest payments due from the Trust's other PIMI investments will depend on those properties' ability to generate operating cash flow.

The Trust also could receive additional income through its participation interest in either the underlying properties' cash flow generated by operations, over and above operating and capital requirements and any Additional Loan interest payment obligation, or any appreciation in value realized at the time of a sale or refinance. However, this participation interest is dependent upon whether property operations meet certain criteria. During 1998, the property operating results of three of the Trust's PIM investments and one of the Trust's PIMI investments exceeded the thresholds established by that criteria and paid the Trust participation income: Lincoln Green, $91,410; Riverview, $66,133; Waterford Townhomes, $44,860; and The Seasons, $93,457. The payment received from The Season was after it paid its Additional Loan interest. As a result of continuing strong operating performance in 1998, the Advisor expects that the same four properties will pay participation interest to the Trust again in 1999.

Many of the properties had stable operating results during 1998. High occupancy rates were maintained and moderate rental rate increases were achieved at more than half of the properties due to stable or improving markets or the unique character of the specific property. Occupancy at Red Run was consistently in the high 90% range throughout 1998. The appeal of the New Town submarket of Owings Mills, Maryland contributes to Red Run's strong performance despite increased competition from other newly built apartment communities. Audubon Villas 90% occupancy has lagged somewhat behind the rest of the Pinellas County, Florida market, but the property has still been able to service its Additional Loan interest obligations. Windward Lakes successfully completed 1998 by generating $45,623 of surplus cash that was paid to the Trust as Additional Loan interest under its workout agreement. Occupancy at year-end was in the 95% range.

Occupancy and operating results for four other properties are being closely monitored by the Advisor and warrant mention. Rivergreens and Mill Pond, while generating sufficient operating revenues to service debt obligations and adequately maintain the properties, experienced drops in occupancy during 1998. Rivergreens is located in a submarket that typically lags behind the rest of the Portland, Oregon market, which has been affected by the Asian financial crisis and Boeing's downsizing. Compounding the adverse effects of the general market, two fires at the property took a number of apartments out of service. While reconstruction is now complete, releasing the apartments in a soft market may take an extended period of time. Occupancy at year-end was in the low 80% range. Mill Pond, located in Dayton, Ohio, also has experienced the effects of a soft market created by new multifamily construction, which creates more competition, and continuing low interest rates, which shrinks the population of potential renters. Occupancy at year-end was in the 90% range.

The operating results of Lifestyles and Mountain View declined more seriously during 1998. Lifestyles operated under a two-year workout agreement with the Trust through the end of 1997 and in December 1998 the Trust entered into a new workout agreement. Due to increased vacancy caused by competition from new properties and a general deterioration in the property's appearance, Lifestyles was not able to generate sufficient revenues to maintain the property and service the higher interest rate on the insured first mortgage after the workout expired. Consequently, the borrower on the Lifestyles PIMI defaulted on its May 1, 1998 debt service payment on the insured first mortgage. The Trust agreed to reduce the effective interest rate on the insured first mortgage by 1.75% retroactively for 1998 to clear the default, by 1.75% for 1999, and by 1.5% each year thereafter until the property is sold or refinanced. The borrower made a $550,000 equity contribution, which has been escrowed for the exclusive purpose of correcting deferred maintenance and making capital improvements to the property. Any surplus cash that is generated by property operations will be split evenly between the Trust and the borrower. When the property is sold or refinanced, the first $1,100,000 of any proceeds remaining after the insured first mortgage is paid off will be split 50% / 50%; the next $1,690,220 of proceeds will be split 75% to the Trust and 25% to the borrower; and any remaining proceeds will be split 50% / 50% between the Trust and the borrower. The borrower's new equity and the reduction in the effective interest rate on the insured first mortgage will provide funds for repairs and improvements that should help reposition Lifestyles so it can compete more effectively for residents and rental rates. As a result of the factors described above, in December 1998, management determined that the additional loan collateralized by the Lifestyles asset was impaired. As a result the Trust recorded a valuation allowance of $1,130,346 in the fourth quarter of 1998.

Mountain View is similar to Lifestyles with respect to competitive market conditions. Mountain View operated under an 18-month workout agreement with the Trust during 1995 and 1996. The major components of that workout had been a 1/2% per annum reduction in the interest rate on the insured first mortgage and the waiver of four Additional Loan interest payments. That workout helped stabilize the property during a down economic cycle in Huntsville. However, the improving economy over the past 18 to 24 months combined with low interest rates and abundant capital sources caused a flood of both single-family and new apartment construction. Consequently, occupancy and rental rates fell dramatically during 1998 as competition increased. The property is just breaking even on the insured first mortgage debt obligation but has not generated surplus cash to service the Additional Loan interest. Contractually, the borrower must fund one-half of any shortfalls in the PIMI Base Interest. The borrower met this obligation with respect to the first payment that was due during 1998 and subsequently asked the Advisor to provide long-term debt service relief. The second payment that was due during 1998 remains outstanding while the Advisor continues to negotiate a loan modification to provide additional debt service relief until the market stabilizes again. As a result of the factors described above, in October 1998, management determined that the additional loan collateralized by the Mountain View asset was impaired. As a result the Trust recorded a valuation allowance of $984,000 in the fourth quarter of 1998.

Whether the operating performance at any of the properties mentioned above provide sufficient cash flow from operations to pay either the Additional Loan interest or participation interest will depend on factors that the Trust has little or no control over. Should the properties be unable to generate sufficient cash flow to pay the Additional Loan interest, it would reduce the Trust's distributable cash flow and could affect the value of the Additional Loan collateral.

There are contractual restrictions on the repayment of the PIMs and PIMIs. During the first five years of the investment, borrowers are prohibited from repayment. During the second five years, the PIM borrowers can prepay the insured first mortgage by paying the greater of a prepayment penalty or the participation interest due at the time of the prepayment. Similarly, the PIMI borrowers can prepay the insured first mortgage and the Additional Loan by satisfying the Preferred Return obligation. The participation features and Additional Loans are neither insured nor guaranteed. If the prepayment of the PIM or PIMI results from the foreclosure on the underlying property or an insurance claim, the Trust would probably not receive any participation interest or any amounts due under the Additional Loan.

During 1998, the Trust received the prepayment of two of its PIMI investments and was notified by the borrower of another PIMI of its intention to prepay its loans during 1999. During the third quarter 1998, the Trust received a prepayment of the Park Highlands PIMI when the property was sold. This prepayment occurred prior to the expiration of the five-year prohibition. However, the Advisor agreed to allow the transaction to be completed while market conditions were favorable in return for an additional prepayment penalty. The Trust received the prepayment of the principal balance of the insured first mortgage, $16,752,295, the principal balance of the Additional Loan, $3,000,000, the Additional Loan interest due at the time of the prepayment, $57,945, and the prepayment penalty for the early payoff, $479,476. In addition, the Trust received participation interest comprised of the outstanding Preferred Return on the Trust investment, $1,481,865, and the Trust's share in the increase in the value of the underlying property, $1,206,719.

Also during the third quarter of 1998, the Trust received a prepayment of the Coconut Palm Club PIMI. This transaction was the result of a sale of the underlying property as well, although the Trust received less than its full Preferred Return. The Advisor agreed to allow the transaction because the purchase price was judged to be favorable in light of the highly competitive rental market in Broward County, Florida. In addition, without the sale it was likely that the Advisor would have agreed to a loan restructure with the borrower rather than expose the Trust to the uncertainty of a probable default. The Trust received the prepayment of the principal balance of the insured first mortgage, $15,851,211, the principal balance of the Additional Loan, $2,850,900, and the Additional Loan interest due at the time of the repayment, $89,090. In addition, the Trust received participation interest of $1,419,116 towards the Preferred Return.

The Trust paid a special dividend on September 9, 1998 of $2.86 per share from the prepayment proceeds of the Park Highlands and Coconut Palm Club PIMIs.

The borrower on the Audubon Villas PIMI informed the Trust of its intention to prepay the insured first mortgage and the Additional Loan during 1999. An appraisal of the underlying property was completed during the fourth quarter 1998 to determine its value for the purpose of calculating the participation interest that would be due when the PIMI is prepaid. The borrower has questioned the Advisor's interpretation of some of the prepayment provisions in the loan documents, and the timing of the prepayment will depend on a satisfactory resolution of the dispute.

The Trust has the option to call certain PIMs and all the PIMIs by accelerating their maturity if the loans are not prepaid by the tenth year after permanent funding. The Advisor will determine the merits of exercising the call option for each PIM and PIMI as economic conditions warrant. Such factors as the condition of the asset, local market conditions, the interest rate environment and available financing will have an impact on these decisions.

Assessment of Credit Risk

The Trust's investments in insured mortgages and MBS are guaranteed or insured by Fannie Mae, FHLMC, GNMA and HUD and therefore the certainty of their cash flows and the risk of material loss of the amounts invested depends on the creditworthiness of these entities.

Fannie Mae is a federally chartered private corporation that guarantees obligations originated under its programs. FHLMC is a federally chartered corporation that guarantees obligations originated under its programs and is wholly-owned by the twelve Federal Home Loan Banks. These obligations are not guaranteed by the U.S. Government or the Federal Home Loan Bank Board. GNMA guarantees the full and timely payment of principal and basic interest on the securities it issues, which represents interest in pooled mortgages insured by HUD. Obligations insured by HUD, an agency of the U.S. Government, are backed by the full faith and credit of the U.S. Government.

The Trust's Additional Loans have similar risks as those associated with higher risk debt instruments, including: reliance on the owner's operating skills, ability to maintain occupancy levels, control operating expenses, ability to maintain the properties and obtain adequate insurance coverage; adverse changes in general economic conditions, adverse local conditions, and changes in governmental regulations, real estate zoning laws, or tax laws; and other circumstances over which the Trust may have little or no control.

The Trust includes in cash and cash equivalents approximately $8.7 million of commercial paper, which is issued by entities with a credit rating equal to one of the top two rating categories of a nationally recognized statistical rating organization.

Operations

The following discussion relates to the operations of the Trust during the years ended December 31, 1998, 1997 and 1996. Dollars are stated in thousands, except for per Share amounts.

<TABLE>
<CAPTION>

	Year Ended December 31,					
	1998		1997		1996	
Per		Per		Per		
	Amount	Share	Amount	Share	Amount	Share
Interest income on PIMs and PIMIs:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Basic Interest	$10,636	$ .71	$12,181	$ .81	$12,808	$ .86
Additional Loan interest	3,081	.20	794	.05	-	-
Participation income	5,094	.34	1,385	.09	359	.02
Interest income on MBS	1,930	.13	2,199	.15	2,306	.15
Interest income on cash and cash equivalents	1,181	.08	1,059	.07	886	.06
Trust expenses	(1,973)	(.13)	(2,313)	(.15)	(2,264)	(.15)
Amortization of prepaid fees and expenses	(2,999)	(.20)	(2,406)	(.16)	(1,614)	(.11)
Provision for impaired mortgage loans	(2,114)	(.14)	-	-	-	-
Net income	$14,836	$ .99	$12,899	$ .86	$12,481	$ .83
Weighted average Shares outstanding	15,053,13	515,053,135		15,053,135		

</TABLE>

The net income of the Trust for 1998 increased as compared to 1997 and 1996.

During the three years in the periods ended December 31, 1998 the Trust's operations have experienced changes in the mix of interest income as the Trust has had prepayments in its PIMs and PIMIs in 1998, 1997 and 1996. These prepayments have reduced the basic interest on PIMs and PIMIs, but there has been an increase in participation income and Additional Loan interest.

The Trust's net income for 1998 increased by approximately $1,937,000 when compared to 1997 due primarily to higher Participation income and Additional Loan interest caused by the prepayments of Coconut Palm and Park Highlands. This was somewhat offset by the Trust recording a provision for impaired mortgage loans related to Lifestyles and Mountain View and lower basic interest. The Trust received $1,419,000 from Coconut Palm Club and $3,168,000 from Park Highlands for Participation Interest and the Trust recognized all of the previously deferred Additional Loan interest of $1,290,000 from Coconut Palm Club and $1,295,000 from Park Highlands as Additional Loan interest income. The Trust also received participation income from Park Highlands, The Seasons PIMI, the Lincoln Green, Riverview and Waterford PIMs of $212,000, $93,000, $91,000, $66,000 and $45,000, respectively. Other interest income increased $122,000 due primarily to the Trust having higher short-term investment balances during 1998 when compared to 1997. These increases were offset by the recording of a $2,114,000 provision for impaired loans as mentioned above. The Trust saw a decline in expense reimbursements in 1998 due to a rebate for expense reimbursements related to 1997 received in 1998. Basic interest decreased $1,545,000 and asset management fees decreased $199,000 in 1998 primarily as a result of the Coconut Palm and Park Highland PIMI prepayments. Interest income on MBS will continue to decline as principal collections reduce the outstanding balance of the MBS portfolio. The increase in amortization expense is because the Trust fully amortized the remaining balances of prepaid fees and expenses associated with the Park Highlands and Coconut Palm Club PIMI's.

The Trust's net income for 1997 increased by approximately $418,000 when compared to 1996. This increase resulted from higher participation income, Additional Loan interest income and other interest income of approximately $1,026,000, $794,000 and $173,000, respectively, net of lower basic interest income on PIMs and interest income on MBS of approximately $627,000 and 107,000, respectively and increases in amortization expense and Trust expenses of $792,000 and $49,000, respectively. The increase in participation income and additional loan interest income are primarily related to the Timber Ridge PIMI. The Trust received $1,246,000 of participation interest upon early prepayment of the PIMI. The Trust also received participation income from the Lincoln Green PIM, The Seasons PIMI and the Riverview PIM of $102,000, $33,000 and $4,000, respectively. Interest income on cash and cash equivalents increased as a result of short-term investments made with the proceeds from the Canyon Ridge and Timber Ridge prepayments prior to the special distribution made in the third quarter. Basic interest decreased as a result of the repayment of the Timber Ridge PIMI during the first quarter of 1997, the repayment of the Canyon Ridge PIM during the second quarter of 1996 and the interest rate reduction given to Windward Lakes Apartments. Interest income on MBS will continue to decline as principal collections reduce the outstanding balance of the MBS portfolio. Amortization expenses increased for 1997 as compared to 1996 due primarily to the Trust fully amortizing the prepaid acquisition and servicing fees associated with Canyon Ridge Apartments PIM and Timber Ridge Apartments PIMI.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Appendix A to this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information as to the Trustees and Executive Officers of Krupp Government Income Trust is as follows:

	Name and Age	Position with Krupp Government Income Trust
	Douglas Krupp (52)	Chairman of Board of Trustees and Trustee
*	Charles N. Goldberg (57)	Trustee
*	E. Robert Roskind (54)	Trustee
*	J. Paul Finnegan (74)	Trustee
	Robert A. Barrows (41)	Treasurer
	Scott D. Spelfogel (38)	Clerk
	Kristin L. Hicks (32)	Assistant Clerk

* Independent Trustee

Douglas Krupp co-founded and serves as Co-Chairman and Chief Executive Officer of The Berkshire Group, an integrated real estate financial services firm engaged in real estate acquisition and property management, mortgage banking and financial management. The Berkshire Group's interests include ownership of a mortgage company specializing in commercial mortgage financing with a portfolio of approximately $6.0 billion. In addition, The Berkshire Group has a significant ownership interest in Berkshire Realty Company, Inc. (NYSE-BRI), a real estate investment trust specializing in apartment investments. Mr. Krupp has held the position of Co-Chairman since The Berkshire Group was established as The Krupp Companies in 1969 and he has served as the Chief Executive Officer since 1992. Mr. Krupp serves as Chairman of the Board and Director of Berkshire Realty Company, Inc. (NYSE-BRI) and he is also a member of the Board of Trustees at Brigham & Women's Hospital. He is a graduate of Bryant College where he received an honorary Doctor of Science in Business Administration in 1989 and was elected trustee in 1990. Mr. Krupp also serves as Chairman of the Board and Trustee of Krupp Government Income Trust II.

Charles N. Goldberg is of counsel to the law firm of Broocks, Baker & Lange, L.L.P., which position he has held since December of 1997. Prior to joining Broocks, Baker & Lange, L.L.P., Mr. Goldberg was a partner in the law firm of Hirsch & Westheimer from March of 1996 to December of 1997. Prior to Hirsch & Westheimer, he was the Managing Partner of Goldberg Brown, Attorneys at Law from 1980 to March of 1996. He received a B.B.A. degree and a J.D. degree from the University of Texas. He is a member of the State Bar of Texas and is admitted to practice before the U.S. Court of Appeals, Fifth Circuit and U.S. District Court, Southern District of Texas. He currently serves as a Trustee of Krupp Government Income Trust II and a director of Berkshire Realty Company, Inc. (NYSE-BRI). He received a B.B.A. degree and a J.D. degree from the University of Texas. He is a member of the State Bar of Texas and is admitted to practice before the U.S. Court of Appeals, Fifth Circuit and U.S. District Court, Southern District of Texas.

E. Robert Roskind is the Chairman and Co-Chief Executive Officer of Lexington Corporate Properties, a self-administered REIT, the shares of which are listed on the NYSE. Mr. Roskind has served in this capacity since October of 1993. Mr. Roskind is also the Managing Partner of The LCP Group, a real estate investment firm based in New York, the predecessor of which he co-founded in 1974. He holds a B.A. degree from the University of Pennsylvania and a J.D. degree from Columbia Law School. He has been a member of the New York Bar since 1970. He currently serves as a Trustee of Krupp Government Income Trust II. He is also currently a director of Berkshire Realty Company, Inc. (NYSE-BRI), as well as Chairman of the Board of Trustees of Lexington Corporate Properties. Mr. Roskind holds a B.A. degree from the University of Pennsylvania and a J.D. degree from Columbia Law School. He has been a member of the New York Bar since 1970.

J. Paul Finnegan retired as a partner of Coopers & Lybrand in 1987. Since then, he has been engaged in business as a consultant, a director and arbitrator. Mr. Finnegan holds a B.A. degree from Harvard College, a J.D. degree from Boston College Law School and an ASA from Bentley College. He is also currently a director at Scituate Federal Savings Bank. Mr. Finnegan is a Certified Public Accountant and an attorney. Mr. Finnegan currently serves as a Trustee of Krupp Government Income Trust II and a director at Scituate Federal Savings Bank and a director of Berkshire Realty Company, Inc.(NYSE-BRI). Mr. Finnegan is a Certified Public Accountant and an attorney.

Robert A. Barrows is the Treasurer of the Trust and is Senior Vice President and Chief Financial Officer of Berkshire Mortgage Finance. Mr. Barrows has held several positions within The Berkshire Group since joining the company in 1983 and is currently responsible for accounting, financial reporting, treasury and management information systems for Berkshire Mortgage Finance. Prior to joining The Berkshire Group, he was an audit supervisor for Coopers & Lybrand L.L.P. in Boston. He received a B.S. degree from Boston College and is a Certified Public Accountant.

Scott D. Spelfogel is the Clerk of the Trust and is Senior Vice President and General Counsel to The Berkshire Group. Prior to 1997, he served as Vice President and Assistant General Counsel. Before joining the firm in November 1988, he was a litigator in private practice in Boston. He received a Bachelor of Science degree in Business Administration from Boston University, a Juris Doctor Degree from Syracuse University's College of Law, and a Master of Laws degree in Taxation from Boston University Law School. He is admitted to practice law in Massachusetts and New York, is a member of the American, Boston, Massachusetts and New York State bar associations and is a licensed real estate broker in Massachusetts.

Kristin L. Hicks is the Assistant Clerk of the Trust and is Assistant General

Counsel to The Berkshire Group. Prior to 1999, she served as Staff Attorney for The Berkshire Group beginning in September 1997, and prior to that position, she was the manager of the transfer department for Krupp Funds Group from May of 1992 through September of 1997. She received a B.A. degree from Northeastern University in 1989 and a J.D. degree from the Suffolk University Law School in 1995. She is admitted to practice law in Massachusetts and is a member of the American, Massachusetts and Boston bar associations.

In addition, the following are deemed to be Executive Officers of the registrant:

George Krupp (age 54) is the Co-Founder and Co-Chairman of The Berkshire Group, an integrated real estate financial services firm engaged in real estate acquisition and property management, mortgage banking and financial management. The Berkshire Group's interests include ownership of a mortgage company specializing in commercial mortgage financing with a portfolio of approximately $6.0 billion. In addition, The Berkshire Group has a significant ownership interest in Berkshire Realty Company, Inc. (NYSE-BRI), a real estate investment trust specializing in apartment investments. Mr. Krupp has held the position of Co-Chairman since The Berkshire Group was established as The Krupp Companies in 1969. Mr. Krupp has been an instructor of history at the New Jewish High School in Waltham, Massachusetts since December of 1997. Mr. Krupp attended the University of Pennsylvania and Harvard University and holds a Master's Degree in History from Brown University.

Peter F. Donovan (age 45) is Chief Executive Officer of Berkshire Mortgage Finance which position he has held since January of 1998 and in this capacity, he oversees the strategic growth plans of this mortgage banking firm. Berkshire Mortgage Finance is the 16th largest in the United States based on servicing and asset management of a $5.7 billion loan portfolio. Previously he served as President of Berkshire Mortgage Finance from January of 1993 to January of 1998 and in that capacity he directed the production, underwriting, servicing and asset management activities of the firm. Prior to that, he was Senior Vice President of Berkshire Mortgage Finance and was responsible for all participating mortgage originations. Before joining the firm in 1984, he was Second Vice President, Real Estate Finance for Continental Illinois National Bank & Trust, where he managed a $300 million construction loan portfolio of commercial properties. Mr. Donovan received a B.A. from Trinity College and an M.B.A. degree from Northwestern University.

Ronald Halpern (age 57) is President and COO of Berkshire Mortgage Finance. He has served in these positions since January of 1998 and in this capacity, he is responsible for the overall operations of the Company. Prior to January of 1998, he was Executive Vice President, managing the underwriting, closing, portfolio management and servicing departments for Berkshire Mortgage Finance. Before joining the firm in 1987, he held senior management positions with the Department of Housing and Urban Development in Washington D.C. and several HUD regional offices. Mr. Halpern has over 30 years of experience in real estate finance. He is currently a member of the Advisory Council for Fannie Mae and Freddie Mac and was prior Chairman of the MBA Multifamily Housing Committee. He holds a B.A. degree from the University of the City of New York and J.D. degree from Brooklyn Law School.

Carol J.C. Mills (age 49) is Senior Vice President for Loan Management of Berkshire Mortgage Finance and in this capacity, she is responsible for the Loan Servicing and Asset Management functions of the Boston, Bethesda and Seattle offices of Berkshire Mortgage Finance. She manages the estimated $6 billion portfolio of loans. Ms. Mills joined Berkshire in December 1997 as Vice President and was promoted to Senior Vice President in January 1999. From January 1989 through November 1997, Ms. Mills was Vice President of First Winthrop Corporation and Winthrop Financial Associates, in Cambridge, MA. Ms. Mills earned a B.A. degree from Mount Holyoke College and a Master of Architecture degree from Harvard University. Ms. Mills is a member of the Real Estate Finance Association, New England Women in Real Estate and the Mortgage Bankers Association.

ITEM 11. EXECUTIVE COMPENSATION

Except for the Independent Trustees as described below, the Trustees and Officers of the Trust have not been and will not be compensated by the Trust for their services. However, the Officers will be compensated by the Advisor or an affiliate of the Advisor.

Compensation of Trustees

The Trust paid each of the Independent Trustees a fee of $25,000 in 1998.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

As of February 5, 1999, no person owned of record or was known by the Advisor to own beneficially more than 5% of the Trust's 15,053,135 outstanding Shares. The only shares held by the Advisor or any of its affiliates consist of the original 10,000 Shares.

Class of Stock	Name of Beneficial Owner	Amount and Nature of Beneficial Interest	Percent of Class
Shares of Beneficial Interest	Douglas Krupp One Beacon Street Boston, Mass. 02108	10,000 Shares**	***
Shares of Beneficial Interest	All Directors and Officers	10,000 Shares	***

** Mr. Krupp is a beneficial owner of the 10,000 shares held by Berkshire Mortgage Advisors Limited Partnership, the Advisor to the Company, by virtue of being a director of Berkshire Funding Corporation, the general partner of Berkshire Mortgage Advisors Limited Partnership. In each case where Mr. Krupp is a beneficial owner of shares he has shared voting and investment powers.

*** The amount owned does not exceed one percent of the shares of beneficial interest of the Trust outstanding as of February 5, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Note G to Financial Statements included in Appendix A of this report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements - see Index to Financial Statements and Supplementary Data included under Item 8, Appendix A, on page F-2 of this report.

2. Financial Statement Schedules - see Index to Financial Statements and Supplementary Data included under Item 8, Appendix A, on page F-2 of this report. All schedules are omitted as they are not applicable, not required or the information is provided in the Financial Statements or the Notes thereto.

(b) Exhibits:

Number and Description
Under Regulation S-K

The following reflects all applicable Exhibits required under Item 601 of Regulation S-K:

(4) Instruments defining the rights of security holders including indentures:

(4.1) Second Amended and Restated Declaration of Trust filed with the Massachusetts Secretary of State on April 12, 1990 [Included as Exhibit 4.4 to Prospectus included in Pre-effective Amendment No. 3 to Registrant's Registration Statement on Form S-11 dated April 16, 1990 (File No. 33-31942)].*

(4.2) Subscription Agreement Specimen [Included as Exhibit C to Prospectus included in Pre-effective Amendment No. 2 to Regis-trant's Registration Statement on Form S-11 dated March 23, 1990 (File No. 33-31942)].*

(10) Material Contracts:

(10.1) Advisory Services Agreement dated October 22, 1990 between the Trustee and Krupp Mortgage Advisors Limited Partnership. [Exhibit 10.1 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.2) Assignment and Assumption Agreement dated December 29, 1994 by and between Berkshire Realty Advisors Limited

Partnership (formerly known as Krupp Realty Advisors Limited Partnership ("Assignor") and Berkshire Mortgage Advisors Limited Partnership ("Assignee") [Exhibit 10.2 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

Lifestyles Apartments

(10.3) Modification Agreement by and between Krupp Government Income Trust and Lifestyles at Boot Ranch and M&D Palm Harbor, and FL-Tampa Inc. [Exhibit 10.1 to Registrant's report on Form 10-Q for the quarter ended September 30, 1996 (File No. 0-19244)].*

(10.4) Escrow Deposit Agreement by and between Krupp Government Income Trust and M&D Palm Harbor, and FL-Tampa Inc. the general partners of Lifestyles at Boot Ranch. [Exhibit 10.2 to Registrant's report on Form 10-Q for the quarter ended September 30, 1996 (File No. 0-19244)].*

(10.5) Subordinated Promissory Note dated December 11, 1990 between Lifestyles At Boot Ranch (the "Mortgagor") and Krupp Government Income Trust (the "Holder") [Exhibit 10.1 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (File No. 33-31942)].*

(10.6) Agreement RE Subordinated Note dated December 11, 1990 between Krupp Government Income Trust and Krupp Mortgage Corporation [Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (File No. 33-31942)].*

(10.7) Subordinated Multifamily Mortgage dated December 11, 1990 between Lifestyles at Boot Ranch (the "Mortgagor") and Krupp Government Income Trust (the "Mortgagee") [Exhibit 10.3 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (File No. 33-31942)].*

(10.8) Additional Loan Agreement dated December 11, 1990 between FL-Tampa, Inc. and M & D Palm Harbor, Inc (collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder") [Exhibit 10.4 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (File No. 33-31942)].*

(10.9) Additional Loan Note dated December 11,1990 between FL-Tampa, Inc and M & D Palm Harbor, Inc. (collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder") [Exhibit 10.5 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (File No. 33-31942)].*

(10.10) Mortgage Note dated December 11, 1991 between Lifestyles at Boot Ranch (the "Borrower") and Krupp Mortgage Corporation (the "Holder"). [Exhibit 10.6 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991(File No. 0-19244)].*

(10.11) GNMA Purchase Agreement dated December 11, 1991 between Krupp Government Income Trust and Krupp Mortgage Corporation. [Exhibit 10.7 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

Windward Lakes Apartments

(10.12) Subordinated Promissory Note dated December 28, 1990 between the McNab-K C 3 Limited Partnership (the "Mortgagor") and Krupp Government Income Trust (the "Holder") [Exhibit 10.6 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (File No. 33-31942)].*

(10.13) Additional Loan Agreement dated December 28, 1990 between George Krupp, Douglas Krupp and Krupp GP, Inc.

(collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder") [Exhibit 10.7 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (File No. 33-31942)].*

(10.14) Additional Loan Note dated December 28, 1990 between Krupp GP, Inc., George Krupp and Douglas Krupp (collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder") [Exhibit 10.8 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 (File No. 33-31942)].*

(10.15) Agreement RE Subordinated Note dated December 28, 1990 between Krupp Government Income Trust and Love Funding Corporation. [Exhibit 10.11 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.16) Subordinated Multi-family Mortgage dated December 28, 1991 between McNab-KC3 Limited Partnership (the "Borrower") and Krupp Government Income Trust (the "Lender"). [Exhibit 10.12 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.17) GNMA Purchase Agreement dated December 28, 1991 between Krupp Government Income Trust and Love Funding Corporation. [Exhibit 10.13 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

River View Apartments

(10.18) Subordinated Promissory Note dated April 2, 1991 between Sterling Partners III Limited Partnership (the "Mortgagor") and Krupp Government Income Trust (the "Holder") [Exhibit 19.1 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.19) Agreement RE Subordinated Promissory Note dated April 2, 1991 between Krupp Government Income Trust and Love Funding Corporation [Exhibit 19.2 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.20) Subordinated Multifamily Mortgage dated April 2, 1991 between Sterling Partners III Limited Partnership (the "Mortgagor") and Krupp Government Income Trust (the "Mortgagee") [Exhibit 19.3 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.21) Supplement to Prospectus dated May 1, 1991 for Government National Mortgage Association Pool Number 280840 [Exhibit 19.4 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

Mill Pond Apartments

(10.22) Subordinated Promissory Note dated May 28, 1991 between Mill Pond Limited Partnership (the "Mortgagor") and Krupp Government Income Trust (the "Holder") [Exhibit 19.5 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.23) Agreement RE Subordinated Promissory Note dated May 28, 1991 between Krupp Government Income Trust and Krupp Mortgage Corporation [Exhibit 19.6 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.24) Subordinated Multifamily Mortgage dated May 28, 1991 between Mill Pond Limited Partnership (the "Mortgagor") and Krupp Government Income Trust (the "Mortgagee") [Exhibit 19.7 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.25) Mortgage Note dated May 28, 1991 between Krupp Mortgage Corporation (the "Holder") and Mill Pond Apartments (the "Borrower") [Exhibit 19.8 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.26) Participation Agreement dated May 28, 1991 between Krupp Mortgage Corporation (the "Mortgagee") and Krupp Government Income Trust [Exhibit 19.9 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.27) Assignment of Open End Mortgage Deed and Security Agreement dated May 28, 1991 between Krupp Mortgage Corporation (the "Assignor") and Krupp Government Income Trust (the "Assignee") [Exhibit 19.1 to Registrants report on Form 10-Q for the quarter ended September 30, 1991 (File No. 0-19244)].*

Waterford Townhome Apartments

(10.28) Subordinated Promissory Note dated June 12, 1991 between Waterford Apartment Corp. (the "Mortgagor") and Krupp Government Income Trust (the "Holder") [Exhibit 19.10 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.29) Agreement RE Subordinated Promissory Note dated June 12, 1991 between Krupp Government Income Trust and Nichols/Conlan Financial Company [Exhibit 19.11 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.30) Subordinated Multifamily Mortgage dated June 12, 1991 between Waterford Apartments Corp. (the "Mortgagor") and Krupp Government Income Trust (the "Mortgagee") [Exhibit 19.12 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.31) Mortgage Note dated June 12, 1991 between Nichols/ Conlan Financial Company (the "Holder") and Waterford Apartment Corp. (the "Borrower") [Exhibit 19.13 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.32) Assignment of Loan Documents dated June 12, 1991 by Nichols/Conlan Financial Company to Krupp Mortgage Corp [Exhibit 19.14 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

(10.33) Participation Agreement dated June 12, 1991 between Nichols/Conlan Financial Company (the "Mortgagee") and Krupp Government Income Trust [Exhibit 19.15 to Registrant's report on Form 10-Q for the quarter ended June 30, 1991 (File No. 0-19244)].*

Rivergreens Apartments

(10.34) Subordinated Promissory Note dated November 14, 1991 between Rivergreens Associates Limited Partnership (the "Mortgagor") and Krupp Government Income Trust (the "Holder"). [Exhibit 10.33 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.35) Agreement Re-Subordinated Promissory Note dated November 14, 1991 between Krupp Government Income Trust and Krupp Mortgage Corporation. [Exhibit 10.34 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.36) Subordinated Multifamily Deed of Trust dated November 14, 1991 between Rivergreens Associates Limited Partnership (the "Borrower"), Oregon Title Insurance Company (the "Trustee") and Krupp Government Income

Trust (the "Lender"). [Exhibit 10.35 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.37) Mortgage Note dated November 14, 1991 between Krupp Mortgage Corporation and Rivergreens Associates Limited Partnership. [Exhibit 10.36 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.38) Participation Agreement dated November 14, 1991 between Krupp Mortgage Corporation and Krupp Government Income Trust. [Exhibit 10.37 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

Audubon Villas

(10.39) Prospectus for Government National Mortgage Association Pool Number 295307(CS) and Pool Number 295308(PN). [Exhibit 10.38 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.40) Subordinated Promissory Note dated December 27, 1991 between Golf View Partners, Ltd. (the "Mortgagor") and Krupp Government Income Trust (the "Holder"). [Exhibit 10.39 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.41) Agreement Re-Subordinated Promissory Note dated December 27, 1991 between Krupp Government Income Trust and Love Funding Corporation. [Exhibit 10.40 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.42) Subordinated Multifamily Mortgage dated December 27, 1991 between Golf View Partners, Ltd. (the "Borrower") and Krupp Government Income Trust (the "Lender"). [Exhibit 10.41 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.43) Additional Loan Agreement dated December 27, 1991 between Capital Developments, Inc., Gus M. Pelias,Jr., and Durham Partners, Ltd. (collectively, the "Borrowers"), Golf View Partners, Ltd. (the "Owner") and Krupp Government Income Trust (the "Holder"). [Exhibit 10.42 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

(10.44) Additional Loan Note dated December 27, 1991 between Capital Developments, Inc., Gus M. Pelias, Jr., and Durham Partners, Ltd. (collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder"). [Exhibit 10.43 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 (File No. 0-19244)].*

Mountain View Apartments

(10.45) Subordinated Promissory Note dated April 21, 1992 between Mountain View Ltd. (the "Mortgagor") and Krupp Government Income Trust (the "Holder"). [Exhibit 19.1 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.46) Agreement RE Subordinated Promissory Note dated April 21, 1992 between Krupp Government Income Trust and Krupp Mortgage Corporation. [Exhibit 19.2 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.47) Subordinated Multifamily Mortgage dated April 21, 1992 between Mountain View Ltd. (the "Mortgagor") and Krupp Government Income Trust (the "Mortgagee"). [Exhibit 19.3 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.48) Additional Loan Agreement dated April 21, 1992 between Philip P. Mulkey, Henry V. Bragg and Gregory V. Bragg (collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder"). [Exhibit 19.4 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.49) Additional Loan Note dated April 21, 1992 between Philip P. Mulkey, Henry V. Bragg and Gregory V. Bragg (collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder"). [Exhibit 19.5 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.50) Mortgage Note dated April 21, 1992 between Mountain View Ltd. (the "Borrower") and Krupp Mortgage Corporation (the "Holder"). [Exhibit 19.6 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.51) Modification Agreement by and between Krupp Government Income Trust and Mountain View Ltd. [Exhibit 10.1 to Registrant's report Form 10-Q for the quarter ended September 30, 1995 (File No. 0-19244)].*

Red Run Apartments

(10.52) Subordinated Promissory Note dated May 5, 1992 between Red Run Limited Partnership (the "Mortgagor") and Krupp Government Income Trust (the "Holder"). [Exhibit 19.7 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.53) Agreement RE Subordinated Promissory Note dated May 5, 1992 between Krupp Government Income Trust and Maryland National Mortgage Corporation (the"Mortgagee"). [Exhibit 19.8 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.54) Subordinated Multifamily Mortgage dated May 5, 1992 between Red Run Limited Partnership (the "Trustor") and Krupp Government Income Trust (the "Lender"). [Exhibit 19.9 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.55) Additional Loan Agreement dated May 5, 1992 between Red Run Corporation and Summit Towers Company (collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder"). [Exhibit 19.10 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.56) Additional Loan Note dated May 5, 1992 between Red Run Corporation and Summit Towers Company (collectively, the "Borrowers") and Krupp Government Income Trust (the "Holder"). [Exhibit 19.11 to Registrant's report on Form 10-Q for the quarter ended June 30, 1992 (File No. 0-19244)].*

(10.57) Deed of Trust Note dated May 5, 1992 between Red Run Limited Partnership and Maryland National Mortgage Corporation. [Exhibit 19.3 to Registrant's report on Form 10-Q for the quarter ended September 30, 1992 (File No. 0-19244)].*

(10.58) Participation and Servicing Agreement by and between Maryland National Mortgage Corporation and Krupp Government Income Trust. [Exhibit 19.4 to Registrant's report on Form 10-Q for the quarter ended September 30, 1992 (File No. 0-19244)].*

Lincoln Green Apartments

(10.59) Supplement to prospectus dated August 1, 1992 for Federal National Mortgage Association pool number MX-073023. [Exhibit 19.8 to Registrant's report on Form 10-Q for the quarter ended September 30, 1992 (File No. 0-19244)].*

(10.60) Subordinated promissory note dated September 15, 1992 by and between Lincoln Green Associates Limited Partnership (the "Mortgagor") and Krupp Government Income Trust (the "Holder"). [Exhibit 19.9 to Registrant's report on Form 10-Q for the quarter ended September 30, 1992 (File No. 0-19244)].*

(10.61) Subordinated Multi-family Deed of Trust dated September 16, 1992 by and between Lincoln Green Associates Limited Partnership (the "Borrower") and Krupp Government Income Trust (the "Lender"). [Exhibit 19.10 to Registrant's report on Form 10-Q for the quarter ended September 30, 1992 (File No. 0-19244)].*

The Seasons

(10.62) Additional Loan Agreement dated September 16, 1993 between The Krupp Company Limited Partnership-IV (the "Borrower") and Krupp Government Income Trust II (the "Holder") [Exhibit 10.80 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.63) Additional Loan Note dated September 16, 1993 between The Krupp Company Limited Partnership-IV (the "Borrower") and Krupp Government Income Trust II (the "Holder")[Exhibit 10.81 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.64) Subordinated Promissory Note dated September 16, 1993 between Maryland Associates Limited Partnership (the "Maker") and Krupp Government Income Trust II (the "Holder") [Exhibit 10.82 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.65) Pledge and Security Agreement dated September 16, 1993 by and between The Krupp Company Limited Partnership-IV (the "Debtor") and Krupp Government Income Trust II (the "Secured Party") [Exhibit 10.83 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.66) The Deed of Trust dated September 16, 1993 by and between Maryland Associates Limited Partnership and Krupp Mortgage Corporation [Exhibit 10.84 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.67) Participation and Servicing Agreement made as of September 16, 1993 by and between Krupp Mortgage Corporation (the "Servicer") and Krupp Government Income Trust II (the "Participant") [Exhibit 10.85 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.68) Assignment and Assumption Agreement dated September 16, 1993 between Krupp Government Income Trust II (the "Assignor") and Krupp Government Income Trust (the "Assignee") [Exhibit 10.86 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

Rosemont Apartments

(10.69) Participation and Servicing Agreement dated July 14, 1994, by and between Rockport Mortgage Corporation (the "Servicer") and Krupp Government Income Trust (the "Participant") [Exhibit 10.87 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.70) Deed of Trust Note dated July 1, 1994 between Rosemont Ltd. and Rockport Mortgage Corporation. [Exhibit 10.88 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.71) Allonge to Deed of Trust Note dated July 1, 1994 between Rosemont Ltd. and Rockport Mortgage Corporation [Exhibit 10.89 to Registrant's report on Form 10-K for the year ended December 31, 1994 (File No. 0-19244)].*

(10.72) Participation Certificate with Krupp Government Income Trust as registered owner. [Exhibit 10.96 to Registrant's report on Form 10-K for the year ended December 31, 1995 (File No. 0-19244)].*

* Incorporated by reference

(c) Reports on Form 8-K

During the last quarter of the year ended December 31, 1998, the Trust did not file any reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 12th day of March, 1999.

KRUPP GOVERNMENT INCOME TRUST

By: /s/ Douglas Krupp
Douglas Krupp, Chairman of Board of Trustees and a Trustee of Krupp Government Income Trust

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on the 12th day of March, 1999.

Signatures	Title(s)
/s/ Douglas Krupp Douglas Krupp	Chairman of Board of Trustees and a Trustee of Krupp Government Income Trust
/s/ Robert A. Barrows Robert A. Barrows	Treasurer of Krupp Government Income Trust
/s/ Charles N. Goldberg Charles N. Goldberg	Trustee of Krupp Government Income Trust
/s/ E. Robert Roskind E. Robert Roskind	Trustee of Krupp Government Income Trust
/s/ J. Paul Finnegan J. Paul Finnegan	Trustee of Krupp Government Income Trust

APPENDIX A

KRUPP GOVERNMENT INCOME TRUST

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
ITEM 8 of FORM 10-K

ANNUAL REPORT TO THE SECURITIES AND EXCHANGE COMMISSION
For the Year Ended December 31, 1998

KRUPP GOVERNMENT INCOME TRUST

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

All other schedules are omitted as they are not applicable or not required, or the information is provided in the financial statements or the notes thereto.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders of
Krupp Government Income Trust:

In our opinion, the accompanying financial statements and financial statement schedule listed in the index on page F-2 of this Form 10-K present fairly, in all material respects, the financial position of Krupp Government Income Trust (the "Trust") at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion expressed above.

Boston, Massachusetts
March 12, 1999

<TABLE>

KRUPP GOVERNMENT INCOME TRUST

BALANCE SHEETS

December 31, 1998 and 1997

<CAPTION>

ASSETS

	1998	1997
Participating Insured Mortgage Investments		
("PIMIs") (Notes B, C and J):		
<S>	<C>	<C>
Insured Mortgages	$ 75,386,460	$108,470,247
Additional loans, net	11,243,862	19,209,108
Participating Insured Mortgages ("PIMs") (Notes B, D and J)	47,737,583	48,112,523
Mortgage-Backed Securities and insured mortgage ("MBS") (Notes B, E and J)	22,132,858	27,085,341
Total mortgage investments	156,500,763	202,877,219
Cash and cash equivalents (Notes B and J)	9,004,397	9,749,804
Interest receivable and other assets	1,057,365	1,294,240
Prepaid acquisition fees and expenses, net of accumulated amortization of $6,125,191 and $6,658,224 respectively (Note B)	3,445,605	5,608,226
Prepaid participation servicing fees, net of accumulated amortization of $1,776,625 and $1,839,070 respectively (Note B)	1,413,559	2,249,643
Total assets	$171,421,689	$221,779,132
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deferred income on Additional Loans (Note B)	$ 5,773,669	$ 7,871,606
Other liabilities	33,230	25,414
Total liabilities	5,806,899	7,897,020
Commitments (Note H)		
Shareholders' equity (Notes A, F, H and I):		
Common stock, no par value; 17,510,000 Shares authorized; 15,053,135 Shares issued and outstanding	164,742,014	212,496,510
Accumulated comprehensive income (Note B)	872,776	1,385,602
Total Shareholders= equity	165,614,790	213,882,112
Total liabilities and Shareholders' equity	$171,421,689	$221,779,132

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

KRUPP GOVERNMENT INCOME TRUST

STATEMENTS OF INCOME

For the Years Ended December 31, 1998, 1997 and 1996

<CAPTION>

	1998	1997	1996
Revenues:			
Interest income - PIMs and PIMIs:			
<S>	<C>	<C>	<C>
Basic interest	$ 10,635,959	$12,180,539	$12,807,392
Additional Loan interest	3,080,944	793,577	-
Participation income	5,094,353	1,385,480	359,161
Interest income - MBS	1,930,383	2,199,234	2,305,613
Interest income cash and cash equivalents	1,180,647	1,058,966	885,874
Total revenues	21,922,286	17,617,796	16,358,040
Expenses:			
Asset management fee to an affiliate (Note G)	1,331,745	1,531,026	1,604,853
Expense reimbursements to affiliates (Note G)	207,165	395,934	343,214
Amortization of prepaid fees and expenses	2,998,705	2,405,645	1,613,665
General and administrative	433,860	385,956	315,613
Provision for impaired mortgage Loans (Notes B and C)	2,114,346	-	-
Total expenses	7,085,821	4,718,561	3,877,345
Net income (Note I)	$14,836,465	$12,899,235	$12,480,695
Basic earnings per share	$ .99	$ .86	$ .83
Weighted average shares outstanding	15,053,135	15,053,135	15,053,135

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

KRUPP GOVERNMENT INCOME TRUST

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 1998, 1997 and 1996

<CAPTION>

	Common Stock	Retained Earnings	Accumulated Comprehensive Income	Total Shareholders' Equity
<S>	<C>	<C>	<C>	<C>
Balance at December 31, 1995	$ 240,103,655	$ -	$ 1,574,821	$ 241,678,476
Dividends	(7,088,400)	(12,480,695)	-	(19,569,095)

Net income	-	12,480,695	-	12,480,695
Change in unrealized gain on MBS	-	-	(309,469)	(309,469)
Balance at December 31, 1996	233,015,255	-	1,265,352	234,280,607
Dividends	(20,518,745)	(12,899,235)	-	(33,417,980)
Net income	-	12,899,235	-	12,899,235
Change in unrealized gain on MBS	-	-	120,250	120,250
Balance at December 31, 1997	212,496,510	-	1,385,602	213,882,112
Dividends	(47,754,496)	(14,836,465)	-	(62,590,961)
Net income	-	14,836,465	-	14,836,465
Change in unrealized gain on MBS	-	-	(512,826)	(512,826)
Balance at December 31, 1998	$164,742,014	$ -	$ 872,776	$165,614,790

Shares issued and outstanding for each of the three years ended December 31, 1998 are 15,053,135

</TABLE>

The accompanying notes are an integral part of the financial statements.

<TABLE>

KRUPP GOVERNMENT INCOME TRUST
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1998, 1997 and 1996

<CAPTION>

	1998	1997	1996
Operating activities:			
<S>	<C>	<C>	<C>
Net income	$ 14,836,465	$ 12,899,235	$12,480,695
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of premium and discounts	(7,646)	2,816	(1,110)
Provision for impaired mortgage loans	2,114,346	-	-
Amortization of prepaid fees and expenses	2,998,705	2,405,645	1,613,665
Changes in assets and liabilities:			
Decrease in interest receivable and other assets	236,875	413,559	154,536
Increase (decrease) in other liabilities	7,816	(2,319)	7,156
Net cash provided by operating activities	20,186,561	15,718,936	14,254,942
Investing activities:			
Principal collections on Insured Mortgages	855,221	891,321	855,308
Principal collections on MBS	4,447,303	3,152,419	4,331,574
Increase (decrease) in deferred income on Additional Loans	(2,097,937)	546,192	1,404,457
Insured mortgage prepayments	32,603,506	5,630,985	8,862,450
Additional Loan prepayments	5,850,900	1,540,000	-
Acquisition of MBS	-	(3,366,000)	-
Net cash provided by investing activities	41,658,993	8,394,917	15,453,789
Financing activity:			

Dividends	(62,590,961)	(33,417,980)	(19,569,095)
Net increase (decrease) in cash and cash equivalents	(745,407)	(9,304,127)	10,139,636
Cash and cash equivalents, beginning of year 9,749,804	19,053,931	8,914,295	
Cash and cash equivalents, end of year	$ 9,004,397	$ 9,749,804	$19,053,931

</TABLE>

The accompanying notes are an integral part of the financial statements.

KRUPP GOVERNMENT INCOME TRUST

NOTES TO FINANCIAL STATEMENTS

A. Organization

Krupp Government Income Trust (the "Trust") was formed on November 1, 1989 by filing a Declaration of Trust in The Commonwealth of Massachusetts. The Trust is authorized to sell and issue not more than 17,510,000 shares of beneficial interest (the "Shares"). The Trust was organized for the purpose of investing in commercial and multi-family loans and mortgage backed securities. Berkshire Mortgage Advisors Limited Partnership ("BMALP")(the Advisor), acquired 10,000 of such Shares for $200,000 and 14,999,999 Shares were sold for $299,480,263 net of purchase volume discounts of $519,717 under a public offering which commenced on April 19, 1990 and ended on July 15, 1991. Under the Dividend Reinvestment Plan ("DRP"), 43,136 Shares were sold for $819,356 during its public offering. The Trust shall terminate on December 31, 2029, unless earlier terminated by the affirmative vote of holders of a majority of the outstanding Shares entitled to vote thereon.

B. Significant Accounting Policies

The Trust uses the following accounting policies for financial reporting purposes:

MBS

The Trust, in accordance with the Financial Accounting Standards Board's Statement 115, "Accounting for Certain Investments in Debt and Equity Securities" (AFAS 115"), classifies its MBS portfolio as available-for-sale. As such the Trust carries its MBS at fair market value and reflects any unrealized gains (losses) as a separate component of Shareholders' Equity. The Trust amortizes purchase premiums or discounts over the life of the underlying mortgages using the effective interest method.

Effective January 1, 1998, the Trust adopted "Statement of Financial Accounting Standards No. 130, 'Reporting Comprehensive Income'" (FAS 130), was issued establishing standards for reporting and displaying comprehensive income and its components. FAS 130 requires comprehensive income and its components, as recognized under accounting standards, to be displayed in a financial statement with the same prominence as other financial statements, if material. FASB 130 had no material effect on the Trust's financial position or results of operations.

The Federal Housing Administration insured mortgages are carried at amortized cost unless the Advisor of the Trust believes there is an impairment in value, in which case a valuation allowance is established in accordance with Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan, and Financial Accounting Standard No. 118, AAccounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures.

PIMs and PIMIs

The Trust accounts for its Insured Mortgages which are MBS in accordance with FAS 115 under the classification of held to maturity. The Trust carries those MBS at amortized cost.

B. Significant Accounting Policies, Continued

PIMs and PIMIs, Continued

The Federal Housing Administration Insured Mortgages and all Additional Loans are carried at amortized cost unless the Advisor of the Trust believes there is an impairment in value, in which case a valuation allowance is established in accordance with Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan, and Financial Accounting Standard No. 118, Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures.

Basic interest is recognized based on the stated rate of the Department of Housing and Urban Development ("HUD") Insured Mortgage loan (less the servicer's fee) or the coupon rate of the Government National Mortgage Association ("GNMA") or Fannie Mae MBS. The Trust recognizes interest related to the participation features as earned and when it deems these amounts are collectible. The Trust defers the recognition of Additional Loan interest payments as income to the extent these interest payments are from escrows established with the proceeds of the Additional Loan. When the properties underlying the PIMIs generate sufficient cash flow to make the required Additional Loan interest payments with funds other than from escrows, the Trust may recognize income as earned and may commence amortizing deferred interest amounts into income over the remaining estimated term of the Additional Loan. During periods where mortgage loans are impaired the trust supsends amortizing interest income.

The Trust also fully reserves the portion of any Additional Loan interest payment satisfied through the issuance of an operating loan and any associated interest due on such operating loan. The Trust will recognize the income related to the operating loan when the borrower repays amounts due under the operating loan.

Impaired Mortgage Loans

Impaired loans are those loans which the Advisor believes that the collection of all amounts due in accordance with the contractual terms of the loan agreement are not likely. Impaired loans are measured based on the fair value of the underlying collateral. Interest received on the impaired loans is generally applied against the loan principal or as interest income if deemed collectable by the Advisor.

Cash Equivalents

The Trust includes all short-term investments with maturities of three months or less from the date of acquisition in cash and cash equivalents. The Trust invests its cash primarily in commercial paper and money market funds with a commercial bank and has not experienced any loss to date on its invested cash.

Prepaid Fees and Expenses

Prepaid fees and expenses represent prepaid acquisition fees and expenses and prepaid participation servicing fees paid for the acquisition and servicing of PIMs and PIMIs. The Trust amortizes

B. Significant Accounting Policies, Continued

Prepaid Fees and Expenses, Continued

prepaid acquisition fees and expenses using a method that approximates the effective interest method over a period of ten to twelve years, which represents the actual maturity or anticipated call payoff of the underlying mortgage.

The Trust amortizes prepaid participation servicing fees using a method that approximates the effective interest method over a ten year period beginning at final endorsement of the loan if a HUD-insured mortgage loan or a GNMA MBS and at closing if a Fannie Mae MBS.

Income Taxes

The Trust has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and believes it will continue to meet all such qualifications. Accordingly, the Trust will not be subject to federal income taxes on amounts distributed to shareholders provided it distributes annually at least 95% of its REIT taxable income and meets certain other requirements for qualifying as a REIT. Therefore, no provision for federal income taxes has been recorded in the financial statements.

Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and liabilities and revenues and expenses during the period. Significant estimates include the net carrying value of Additional Loans and the unrealized gain on MBS investments. Actual results could differ from those estimates.

C. PIMIs

The Trust had investments in six PIMIs on December 31, 1998 that provide the permanent financing of multi-family housing. One component of a PIMI is either a securitized HUD-insured first mortgage loan issued and guaranteed by GNMA or a sole participation interest in a first mortgage loan originated under the Federal Housing Administration ("FHA") lending program and insured by HUD (collectively the "Insured Mortgages"). The FHA first mortgage or the first mortgage underlying the GNMA security provides the borrower (generally a limited partnership) with a below market interest rate loan in exchange for providing the Trust with participation in a percentage of the cash generated from property operations and in a percentage of any appreciation of the underlying property to a preferred return, then a percentage of any appreciation thereafter. The borrower conveys these rights to the Trust through a subordinated promissory note and mortgage. In addition, the Trust made an Additional Loan to the owners of the borrower to provide additional funds for the construction and permanent financing of the property. The owners generally collateralize the Additional Loan through a pledge and security agreement that pledges their ownership interests in the borrower, and their share of any distributions made from surplus cash generated by the property and the proceeds realized upon the refinancing of the property, sale

C. PIMIs, Continued

of the property or sale of the partnership interests. Amounts payable under the Additional Loan are neither guaranteed nor insured.

The Trust receives monthly principal and interest ("Basic Interest") payments on the Insured Mortgage and is entitled to receive participation income under the subordinated promissory note and mortgage, and semi-annual interest payments ("Additional Loan Interest") and preferred interest under the Additional Loan. The Trust receives principal and interest payments on the insured mortgages currently, because these payments are insured or guaranteed; however, there are limitations to the amount and obligation to pay participation income and Additional Loan interest.

The subordinated promissory note and mortgage entitles the Trust to receive (i) Participating Income Interest generally equal to 50% of (a) all distributable Surplus Cash (as defined in the regulatory agreement of the HUD-insured first mortgage) generated by the property (b) any unrestricted cash generated from property operations and (c) to the extent available unexpended reserves and escrows, and (ii) Participating Appreciation Interest generally equal to 50% of the net proceeds or value of the property upon the sale, refinancing, maturity or accelerated maturity, or permitted prepayment of all amounts due under the Insured Mortgage and Additional Loan less the Outstanding Indebtedness, as defined. Amounts received by the Trust pursuant to the subordinated promissory note as Participating Income Interest reduce amounts payable as Preferred Interest and may reduce amounts payable as Base Interest under the Additional Loan.

The Insured Mortgage and subordinated promissory note generally have maturities of 30 to 40 years, however, under the subordinated promissory note the Trust can generally accelerate these maturity dates at any time after the ninth or tenth anniversary of final endorsement for coinsurance or insurance, but in certain cases for construction loans after the eleventh or twelfth anniversary of initial endorsement (commencement of construction) for coinsurance or insurance, upon giving twelve months written notice for the payment of all accrued participation interest through the accelerated maturity date. The Trust can accelerate the maturity date for payment of amounts due under the subordinated promissory note and the insured mortgage providing the contract of insurance or coinsurance with the Secretary of HUD on the insured mortgage is canceled prior to the accelerated maturity date.

Additional Loan Interest is payable from the following sources: (i) any Surplus Cash received pursuant to the subordinated promissory note as Participating Income Interest, (ii) amounts conveyed to the Trust by the owners of the borrowing entity representing distributions of Surplus Cash and (iii) amounts in reserve accounts established with the Additional Loan proceeds, if available, and any interest earned on these amounts. If these sources are not sufficient to make Additional Loan Interest payments the owners of the borrowing entity must notify the Trust of the amount of the shortfall and at its option the Trust could require a capital call from the owners of the borrowing entity. The capital call would be equal to 50% of the Base Interest shortfall and the Trust in certain situations could convert the remaining 50% into an operating loan.

C. PIMIs, Continued

In addition to the Additional Loan Interest payments, the Additional Loan requires the payment of Preferred Interest representing a cumulative, non-compounded preferred return from the date of final endorsement to the date of calculation at interest rates ranging from 9.5% to 11% per annum on the outstanding balance of the Insured Mortgage plus the Additional Loan and any other funds advanced by the Trust to the borrowing entity or the owners of the borrowing entity less: (i) interest payments paid to the Trust under the Insured Mortgage, (ii) Participating Income Interest and (iii) Additional Loan Interest payments made under the Additional Loan including amounts foregone by the Trust.

The insured mortgage and subordinated promissory note generally cannot be prepaid for a term of five years from the construction completion date or final endorsement and thereafter may be prepaid in whole without penalty provided all participation interest and amounts under the insured mortgage are paid. Any prepayment requires not less than ninety nor more than 180 days prior written notice.

The Additional Loan generally may not be prepaid before the fifth anniversary of the Agreement or the construction completion date and thereafter may be prepaid in full without penalty provided Preferred

Interest and any amounts due under the insured mortgage and subordinated promissory note are paid in full.

On May 1, 1998, the borrowers on the Lifestlyes PIMI defaulted on its May 1998 debt service payment. The Trust continued to receive its monthly principal and interest payments guaranteed by GNMA. In December 1998, the Trust entered into a second modification agreement with the borrowers of the Lifestlyes PIMI reducing the interest paid monthly on the insured mortgage by 1.75% per annum for 1998 and 1999 and 1.5% per annum for 2000 through 2007. In addition, the borrowers made a $550,000 equity contribution, which has been escrowed, for the exclusive purpose of correcting deferred maintenance. Under the Agreement any future surplus cash generated by property operations will be split evenly between the Trust and the borrowers as Participating Income Interest. When the property is sold or refinanced, the first $1,100,000 of any proceeds remaining after the insured first mortgage is paid off will be split 50% / 50%; the next $1,690,220 of proceeds will be split 75% to the Trust and 25% to the borrower(the repayment of the Additional Loan); and any remaining proceeds will be split 50% / 50% between the Trust and the borrower. The Trust will not earn any Preferred Return or Base Interest on the Additional Loan.

During June of 1998, the Trust received a prepayment of the Park Highlands Insured Mortgage and Additional Loan having a remaining principal balances of $16,752,295 and $3,000,000 respectively. In addition, the Trust received the following: (i) a Preferred Return of $1,481,865, (ii) Participating Appreciation interest of $1,206,719, (iii) a Prepayment Premium of $479,476, (iv) Participating Income interest of $211,316 and (v) Additional Loan interest payable through the date of sale of $57,945.

On July 15, 1998, the Trust received a prepayment of The Coconut Palm Club Insured Mortgage having a remaining principal balance of $15,851,211. In addition, in June the Trust received a prepayment of the Coconut Palm Club

C. PIMIs, Continued

Additional Loan of $2,850,900. The Trust also received a preferred return of $1,419,116 and Additional Loan interest payable through the date of sale of $89,091.

Due to the prepayments of the Park Highlands and Coconut Palm Club Additional Loans in June, the Trust also recognized additional loan interest of $1,290,000 and $1,295,354 respectively, that had been previously classified as deferred income on these Additional Loans.

On August 6, 1998, the Advisor of the Trust declared a special dividend of $2.86 per share that was paid on September 9, 1998 from the prepayment proceeds of the Park Highlands and Coconut Palm Club PIMIs.

Mountain View Apartments has been adversely affected by a competitive housing market in the Huntsville area. Since September 1998 the borrower of the Mountain View Additional Loan has been in technical defaulton its Additional Loan for not making the full required interest payments. The Advisor is currently assessing the feasibility of extending debt service relief to the borrower until the market stabilizes.

On February 6, 1997, the Trust, with the approval of the independent Trustees, agreed to a workout with the borrower of the Windward Lakes Apartments PIMI, an affiliate of the Advisor of the Trust. The terms are as follows: a) interest rate relief for 1997 of 2% per annum and 1% per annum for 1998 through 2000 on the Insured Mortgage: b) the borrower, McNab KC-3 L.P. ("McNab"), contributed $133,036 of new equity into the property; c) the borrower will cap the annual management fee paid to an affiliate at 3% of revenues; d) the Trust's participation in current operations shall be 50% of Surplus Cash as determined under HUD guidelines; e) Additional Loan Interest is payable from the Trust's share of Surplus Cash and unpaid amounts accrue at 7.5% per annum; and f) the Trust's participation in a sale or refinancing, after repayment of the first mortgage and additional loans, interest rate relief, accrued Additional Loan Interest and McNab=s new equity, shall be

50% of any remaining proceeds up to an amount which would result in the Trust having received a cumulative, noncompounded preferred return of 10% on its investment in the first mortgage and additional loans; any remaining proceeds shall be distributed to McNab.

During the first quarter of 1997 the Trust received proceeds from the prepayment of The Timber Ridge Apartments PIMI as follows: $1,540,000 to payoff the Additional Loan; $1,246,159 representing Participation income which includes prepayment penalties; $5,630,985 to payoff the outstanding first mortgage principal balance. During the third quarter of 1997, the Trust made a special dividend of $.92 per share to its investors. This special dividend was funded from the 1996 Canyon Ridge PIM prepayment and the 1997 Timber Ridge prepayment proceeds, net of the reinvestment in a $3,400,000 face value insured multifamily mortgage.

At December 31, 1998 and 1997 there are no Insured Mortgage loans within the Trust's portfolio that are delinquent as to principal or interest.

The Trust's investments in PIMIs consist of the following at December 31, 1998 and 1997:

Continued

<TABLE>
<CAPTION>

C. PIMIs, Continued

PIM	Original Loan Amount	Interest Rate	Maturity Date	Balance Outstanding at December 31, 1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Lifestyles (GNMA)	$10,292,394	7.00%(a)	5/1/32	$10,022,381	$ 10,074,176
Windward (GNMA)	14,000,778	7.50%(b)	6/1/32	13,667,163	13,732,172
Audubon Villas (GNMA)	15,250,000	7.75%	9/15/33	14,909,371	14,985,694
Coconut Palm (GNMA)	16,155,100	8.25%	5/1/33	-	15,899,315
Mountain View (FHA)	9,547,700	8.125%(c)	1/1/34	9,363,459	9,407,192
Red Run (FHA)	19,019,600	7.875%	5/1/34	18,651,261	18,742,124
Park Highland (FHA)	17,068,500	7.625%	1/1/34	-	16,788,083
The Seasons (FHA) (d)	9,075,351	7.875%	10/1/28	8,772,825	8,841,491
	$110,409,423			$75,386,460 (f)	$108,470,247

</TABLE>
<TABLE>
<CAPTION>

Additional Loan	Outstanding Balance 1998	1997	Base Interest Rate	Preferred Interest Rate
<S>	<C>	<C>	<C>	<C>
Lifestyles (a)	$ 1,817,665	$ 1,817,665	-	-
Windward	2,471,294	2,471,294	7.5%	10%
Audubon Villas	2,691,000	2,691,000	7.0%	10%
Coconut Palm	-	2,850,900	7.5%	11%
Mountain View (c)	1,553,600	1,553,600	7.0%	10%
Red Run	2,900,000	2,900,000	7.0%	10%
Park Highland	-	3,000,000	7.5%	9.5%
The Seasons (d)(e)	1,924,649	1,924,649	9.0%	10%
	$13,358,208	$ 19,209,108		

</TABLE>

(a) The Trust entered into an Agreement which reduced the interest rate on the Insured Mortgage by 1.75% per annum effective January 1, 1998 for a period of twenty-four months and 1.5% per annum for 2000 though 2007. The Trust will not receive any Additional Loan Base or Preferred interest due to workout.

(b) The Trust entered into an agreement which reduced the interest rate on the Insured Mortgage by 2.0% per annum for 1997 and by 1.0% for 1998 through 2000.

(c) The Trust entered into an agreement which reduced the interest rate on the Insured Mortgage .5% per annum effective July 1, 1995 for a period of eighteen months. The borrower was also allowed to forego making

Continued

C. PIMIs, Continued

four semiannual Additional Loan interest payments beginning March 1, 1995. These unpaid amounts will be payable from the net proceeds of a sale or refinancing of the property.

(d) The total PIM and Additional Loan on this property were $32,300,000 and $6,850,000, respectively, of which 72% is held by Krupp Government Income Trust II. The Seasons is affiliated with the Advisor of the Trust.

(e) The Additional Loan interest rate was 6% per annum for the first three years and beginning in September 1996 increased to 9% per annum.

(f) The aggregate cost for federal income tax purposes is $75,386,460.

Impaired Mortgage Loans

As a result of continued deterioration in property operations, the Advisor of the Trust determined that the Lifestyles Additional Loan was impaired. As a result, a valuation allowance of $1.1 million has been established to adjust the carrying amount of the loan to the estimated fair market value of the collateral less anticipated costs of sale. The Trust will recognize interest income to the extent cash is received and supported by operating cash flow generated by the collateral. The Trust did not recognize interest income on the Lifestyles Additional Loan during 1998.

The Advisor of the Trust has determined that The Mountain View Additional Loan is impaired. The Trust will recognize interest income to the extent cash received is supported by operating cash flow generated by the collateral. The Trust did not recognize interest income on the Mountain View Additional Loan during 1998. In addition, a valuation allowance of $984,000 has been established to adjust the carrying amount of the loan to estimated fair market value of the collateral less anticipated costs of sale.

The activity in the valuation allowance together with the related recorded and carrying value of the mortgage loans is as follows:

<TABLE>
<CAPTION>

<S>	Recorded Value <C>	Valuation Allowance <C>	Carrying Value <C>
Lifestyles	$1,817,665	$1,130,346	$687,319
Mountainview	1,553,600	984,000	569,600
Balance at December 31, 1998	$3,371,265	$2,114,346	$1,256,919

</TABLE>

The recorded value of the impaired mortgage loans did not differ materially from the balances reported at the end of each period with the exception of the impairment recorded in the fourth quarter of 1998 for the Lifestyles and Mountainview additional loans. The Trust has also deferred income related to Lifestyles and Mountain View of $687,319 and $367,383, respectively.

A reconciliation of activity for each of the three years in the period ended December 31, 1998 is as follows:

Continued

<TABLE>
<CAPTION>

KRUPP GOVERNMENT INCOME TRUST

NOTES TO FINANCIAL STATEMENTS, Continued

C. PIMIs, Continued

	1998	1997	1996
<S>	<C>	<C>	<C>
Balance at beginning of period	$108,470,247	$114,625,179	$115,131,611
Insured mortgage prepayments	(32,603,506)	(5,630,985)	-
Principal collections	(480,281)	(523,947)	(506,432)
Balance at end of period	$ 75,386,460	$108,470,247	$114,625,179

</TABLE>

Property descriptions:

Lifestyles Apartments ("Lifestyles") is a 236-unit garden style apartment complex located in Palm Harbor, Florida.
Windward Lakes Apartments ("Windward") is a 276-unit garden style apartment complex located in Pompano Beach, Florida.
Audubon Villas is a 308-unit apartment complex located in Clearwater, Florida.
Coconut Palm Club ("Coconut Palm") is a 301-unit apartment complex located in Coconut Creek, Florida.
Mountain View Apartments ("Mountain View") is a 256-unit apartment complex located in Madison, Alabama.
Red Run Apartments ("Red Run") is a 304-unit apartment complex located in Owings Mills, Maryland.
Park Highland Apartments ("Park Highland") is a 250-unit apartment complex located in Bellevue, Washington.
The Seasons is a 1,088-unit apartment complex located in Laurel, Maryland.

D. PIMs

The Trust had investments in five PIMs at December 31, 1998. The Trust's PIMs consist of a GNMA or Fannie Mae MBS representing the securitized first mortgage loan on the underlying property or a sole participation interest in a first mortgage loan originated under the FHA lending program on the underlying property (collectively the "Insured Mortgages"), and participation interests in the revenue stream and appreciation of the underlying property above specified base levels. The borrower conveys these participation features to the Trust generally through a subordinated promissory note and mortgage (the "Agreement").

The Trust receives guaranteed monthly payments of principal and interest on the GNMA and Fannie Mae MBS and HUD insures the mortgage loan underlying the GNMA MBS and the FHA mortgage loan. The borrower usually cannot prepay the first mortgage loan during the first five years and may prepay the first mortgage loan thereafter subject to a 9% prepayment penalty in years six through nine, a 1% prepayment penalty in year ten and no prepayment penalty thereafter. The Trust may receive income related to its participation interests in the underlying property, however, these amounts are neither insured nor guaranteed.

Generally, the participation features consist of the following: (i) "Minimum Additional Interest" at rates ranging from .5% to .75% per annum calculated on the unpaid principal balance of the first mortgage on the underlying property, (ii) "Shared Income Interest" ranging from 25% to 30% of the

Continued

KRUPP GOVERNMENT INCOME TRUST

NOTES TO FINANCIAL STATEMENTS, Continued

D. PIMs, continued

monthly gross rental income generated by the underlying property in excess of a specified base, but only to the extent that it exceeds the amount of Minimum Additional Interest received during such month, and (iii) "Shared Appreciation Interest" ranging from 25% to 30% of any increase in value of the underlying property in excess of a specified base. Payment of participation interest from the operations of the property is limited to 50% of net revenue or surplus cash as defined by Fannie Mae or HUD, respectively. Payment of participation interest at the time of the prepayment of the PIM or upon its maturity generally cannot exceed 50% of any increase in value of the underlying property.

Shared Appreciation Interest is payable when one of the following occurs: (1) the sale of the underlying property to an unrelated third party on a date which is later than five years from the date of the Agreement, (2) the maturity date or accelerated maturity date of the Agreement, or (3) prepayment of amounts due under the Agreement and the Insured Mortgage.

Under the Agreement, the Trust, upon giving twelve months written notice, can accelerate the maturity date of the Agreement to a date not earlier than ten years from the date of the Agreement for (a) the payment of all participation interest due under the Agreement as of the accelerated maturity date, or (b) the payment of all participation interest due under the Agreement plus all amounts due on the first mortgage note on the property.

At December 31, 1998 and 1997 there are no Insured Mortgage loans within the Trust's portfolio that are delinquent of principal or interest.

The Trust's PIMs consisted of the following at December 31, 1998 and 1997:

<TABLE>
<CAPTION>

PIM	Original Loan Amount	Interest Rate	Maturity Date	Balance at December 31, 1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
River View (GNMA)	$ 9,284,877	8.00%	1/15/33	$ 9,070,196	$ 9,116,775
Mill Pond (FHA)	7,812,100	8.15%	1/1/33	7,622,447	7,661,308
Waterford (FHA)	6,935,900	8.125%	8/1/32	6,752,284	6,787,988
Rivergreens (FHA)	10,003,000	8.005%	4/1/33	9,765,665	9,815,836
Lincoln Green (FNMA)	15,565,000	6.75%	10/1/02 (a)	14,526,991	14,730,616
Total	$49,600,877			$47,737,583 (b)	$48,112,523

</TABLE>

(a) Normal monthly benefit is based on a 30-year amortization. All unpaid principal of approximately $13,583,000 and accrued interest is due at the maturity date.
(b) The aggregate cost for federal income tax purposes is $47,737,583.

A reconciliation of activity for each of the three years in the period ended December 31, 1998 is as follows:

Continued

<TABLE>
<CAPTION>

KRUPP GOVERNMENT INCOME TRUST

NOTES TO FINANCIAL STATEMENTS, Continued

D. PIMs, continued

	1998	1997	1996
<S>	<C>	<C>	<C>

Balance at beginning of period	$48,112,523	$48,479,897	$57,691,223
PIM prepayment	-	-	(8,862,450)
Prinicipal collections	(374,940)	(367,374)	(348,876)
Balance at end of period	$47,737,583	$48,112,523	$48,479,897

Property descriptions:
</TABLE>

River View Apartments ("River View") is a 220-unit apartment complex located in Columbia, South Carolina.
Mill Pond Apartments ("Mill Pond") is a 146-unit apartment complex in Bellbrook, Ohio.
Waterford Townhomes Apartments ("Waterford") is a 122-unit apartment complex in Eagen, Minnesota.
Rivergreens Apartments ("Rivergreens") is a 208-unit apartment complex in Gladstone, Oregon.
Lincoln Green Apartments ("Lincoln Green") is a 616-unit apartment complex in Greensboro, North Carolina.

E. MBS

At December 31, 1998, the Trust's MBS portfolio had an amortized cost of $16,255,176 and gross unrealized gains and losses of $875,328 and $2,552, respectively. At December 31, 1998, the Trust has a FHA insured mortgage with an amortized cost of $4,904,905. At December 31, 1997, the Trust's MBS portfolio had an amortized cost of $25,699,739 and gross unrealized gains of $1,385,602. The Trust's MBS have maturities ranging from 2008 to 2029.

During the first quarter of 1997, the Trust acquired a $3,400,000 face value insured multi-family mortgage for $3,366,000 having a coupon rate of 7.5% per annum and a maturity of April 2032.

F. Shareholders' Equity

Under the Declaration of Trust and commencing with the initial closing of the public offering of shares, the Trust has declared and paid dividends on a quarterly basis. During the period in which the Trust qualifies as a REIT, the Trust has and will pay quarterly dividends aggregating at least 95% of taxable income on an annual basis to be allocated to the shareholders in proportion to their respective number of shares. In order for the Trust to maintain its REIT status with respect to the requirements of Share ownership, the Declaration of Trust prohibits any investor from owning, directly or indirectly, more than 9.8% of the outstanding Shares and empowers the Trustees to refuse to permit any transfer of Shares which, in their opinion, would jeopardize the status of the Trust as a REIT.

Continued

G. Related Party Transactions

Under the terms of the Advisory Service Agreement, the Advisor receives an Asset Management Fee equal to .75% per annum of the value of the Trust's actual and committed invested assets payable quarterly.

The Trust also reimburses affiliates of the Advisor for certain costs incurred in connection with maintaining the books and records of the Trust and the preparation and mailing of financial reports, tax information and other communications to investors.

During the three years ended December 31, 1998, the Trust received interest collections on Additional Loans with affiliates of the Advisor of the Trust of $218,841, $400,838, and $234,593 respectively. In addition, the Trust received $93,457 in 1998 and $32,622 in 1997 related to Participating Interest Income.

H. Original Shares

Upon termination of the Trust, an affiliate of the Advisor is committed to pay to holders of Original Shares the amount (if any) by which (a) the Shareholders' Original Investments exceed (b) all Dividends (as defined in the prospectus) paid by the Trust with respect to such Original Shares. Original Shares are those Shares purchased during the Trust's initial public offering either through purchase or through the dividend reinvestment program and held until the last mortgage held by the Trust is repaid or disposed of.

<TABLE>
<CAPTION>
I. Federal Income Taxes

<S>	<C>
Net income per statement of income	$ 14,836,465
Add: Provision for impaired mortgage loan	2,114,346
Less: Additional Loan interest deferred for book purposes	(1,478,403)
Book to tax difference for amortization of prepaid fees and expenses	(557,790)
Net income for federal income tax purposes	$ 14,914,618

</TABLE>

The Trust paid dividends of $4.16 per share during 1998 which represents approximately $.99 from ordinary income and $3.17 represents a non-taxable distribution for federal income tax purposes.

The basis of the Trust's assets for financial reporting purposes is less than its tax basis by approximately $7,311,000 and $4,622,000 at December 31, 1998 and 1997, respectively. The basis of the Trust=s liabilities for financial reporting purposes exceeded its tax basis by approximately $5,774,000 and $7,872,000 at December 31, 1998 and 1997, respectively.

J. Fair Value Disclosures of Financial Instruments

The Trust uses the following methods and assumptions to estimate the fair value of each class of financial instruments:

Continued

J. Fair Value Disclosures of Financial Instruments, continued

Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

MBS

The Trust estimates the fair value of MBS based on quoted market prices while it estimates the fair value of insured mortgages based on quoted price of MBS with similar interest rates.

PIMs and PIMIs

There is no active trading market for these investments, so management estimates the fair value of the PIMs and the insured mortgage portion of the PIMIs using quoted market prices of MBS having the same stated coupon rate as the Insured Mortgages. Additional Loans are based on the estimated fair value of the underlying properties. Management does not include any participation income in the Trust's estimated fair values, because Management does not believe it can predict the time of realization of the feature with any certainty. Based on the estimated fair value determined using these methods and assumptions, the Trust's investments in PIMs and PIMIs had gross unrealized losses and gains of approximately $5,647,000 and $1,491,000, respectively, at December 31, 1998 and gross unrealized losses and gains of approximately $6,551,000 and $381,000, respectively, at December 31, 1997.

At December 31, 1998 and 1997, the Trust estimated the fair value of its financial instruments as follows:
<TABLE>
<CAPTION>

	(amounts in thousands) 1998 Fair Value	1998 Carrying Value	1997 Fair Value	1997 Carrying Value
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$ 9,004	$ 9,004	$ 9,750	$ 9,750
MBS	22,473	22,133	27,085	27,085
PIMs and PIMIs:				
PIMs	49,229	47,738	48,382	48,113
Insured mortgages	77,627	75,386	109,902	108,470
Additional Loans	11,244	11,244	19,209	19,209
	$169,577	$165,505	$214,328	$212,627

</TABLE>

<TABLE>
<CAPTION>

KRUPP GOVERNMENT INCOME TRUST

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of period	Charged to costs and expenses	Revenues	Balance at end of period
<S>	<C>	<C>	<C>	<C>
Additional Loan (1) (2)	$ -	$2,114,346	$ -	$2,114,346

</TABLE>

(1) The Trust recognized a valuation allowance related to the Lifestyles and Mountain View Additional Loans.

<TABLE> <S> <C>

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The schedule contains summary financial information extracted from the balance sheet and statement of income and is qualified in its entirety by reference to such financial statements.
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<F1> Includes Participating Insured Mortgage Investments ("PIMIs") (insured mortgages of $75,386,460 and Additional Loans of $11,243,862), Participating Insured Mortgages ("PIMs") of $47,737,583 and Mortgage-backed Securities ("MBS") of $22,132,858.

<F2> Includes prepaid acquisition fees and expenses of $9,570,796 net accumulated amortization of $6,125,191 and prepaid participation servicing fees of $3,190,184 net of accumulated amortization of $1,776,625.

<F3> Includes deferred income on Additional Loans of $5,773,669.

<F4> Unrealized gain on MBS.

<F5> Represents interest income on investments in mortgages and cash.

<F6> Includes $2,114,346 for impaired mortgage loans and $2,998,705 of amortization of prepaid fees and expenses.
</FN>

</TABLE>