Form **3468**

Department of the Treasury
Internal Revenue Service

Computation of Investment Credit

Attach to your tax return

For calendar year 1969 or other taxable year beginning ...., 1969, and ending ...., 19..........

1969

The Tax Reform Act repealed the investment credit for property acquired after 4–18–69, and property whose construction, reconstruction, or erection began after that date. The Act provides exceptions, however, for certain property built or acquired under a binding contract entered into before 4–19–69, or built or acquired in certain transitional situations described in section 49. In any event, the credit will not be available for any property placed in service after 1975.

The Act also imposed a special limitation that restricts the amount of unused credit carryovers that may be claimed in years beginning after 1968 to 20% of the total amount of unused credits otherwise available as a carryover. See instruction 4.

Name

Identifying number as shown on page 1 of your tax return

1 Qualified investment in new and used property (See instruction C for eligible property)

NOTE: Include your share of investment in property by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New Property	(a)	4 or more but less than 6		$33\frac{1}{3}$	
	(b)	6 or more but less than 8		$66\frac{2}{3}$	
	(c)	8 or more		100	
Used Property (See instructions for dollar limitation)	(d)	4 or more but less than 6		$33\frac{1}{3}$	
	(e)	6 or more but less than 8		$66\frac{2}{3}$	
	(f)	8 or more		100	

2 Total qualified investment—Add lines 1(a) through 1(f) . . . .

3 Tentative investment credit—7% of line 2 (3% for public utility property) . . . .

4 Carryback and carryover of unused credit(s) (See instruction 4 for special limitation—attach computation) . . . .

5 Total—Add lines 3 and 4 . . . .

Limitation

6 (a) Individuals—Enter amount from line 10, Schedule T, Form 1040. . . . .

(b) Estates and trusts—Enter amount from line 27, page 1, Form 1041 . . . .

(c) Corporations—Enter amount from line 7, Tax Computation Schedule, Form 1120 . . . . . .

7 Individuals, estates, and trusts: (a) Foreign tax credit . . . .

(b) Retirement income credit . . . . . .

8 Total—Add lines 7(a) and (b). . . . .

9 Line 6 less line 8 . . . .

(Married persons filing separately, affiliated groups, estates and trusts, see instruction 10)

10 (a) Enter amount on line 9 or $25,000, whichever is lesser . . . .

(b) If line 9 exceeds $25,000, enter 50% of the excess . . . .

11 Total—Add lines 10(a) and (b) . . . .

12 Investment credit—Enter amount on line 5 or line 11, whichever is lesser . . . .

Schedule A

If any part of your investment in 1 above was made by a partnership, estate, trust, small business corporation, or lessor complete the following:

Name (Partnership, estate, trust, etc.)	Address	Property		
		New	Used	Life years
		$	$	

General Instructions

A. Who Must File.—Any individual, estate, trust, or corporation claiming an investment credit must attach this form to its income tax return. Partnerships and small business corporations are not required to file this form because the credit is claimed by the partners and shareholders.

However, partnerships must complete the information required by Schedule K of Form 1065. Small business corporations must attach a statement to their returns showing the allocation of investment to the shareholders by amount, type and life of property as shown in item 1 of this form.

Estates and trusts which apportion the investment between the estate or trust and the beneficiaries should in addition to filing this form attach a statement showing the allocation of the investment among the beneficiaries.

B. When Allowed.—A credit is allowed against your tax for investment in certain depreciable property having an estimated useful life of 4 years or more for the first year such property is placed in service.

C. Property Defined.—Except as provided below, the investment credit is applicable to (a) tangible personal property, (b) real property (except for buildings and their structural components) if used as an integral part of manufacturing, production or extraction, etc., or used as a research or storage facility in connection with these activities, and (c) elevators and escalators.

The investment credit is **not** applicable to property, the physical construction, reconstruction or erection of which was begun after 4–18–69, or which was acquired by the taxpayer after that date. Exceptions are provided, however, for certain property constructed (reconstructed or erected) or acquired under a binding contract entered into before 4–19–69, and property constructed or acquired in certain transitional situations described in section 49 of the Code.

The investment credit is also not applicable to (1) certain property used predominantly outside the United States; (2) property used for lodging or in connection with furnishing lodging, except (a) property used in certain commercial facilities located therein (such as a restaurant) or (b) property used by a hotel or motel; (3) property used by a tax-exempt organization (except where the unrelated business income tax applies); (4) property used by governmental units; and (5) livestock (including racehorses).

D. Election for Leased Property.—A lessor may elect to treat an investment in new property as if made by the lessee instead of the lessor. See section 48(d).

E. Recomputed Tax on Early Disposition of Property.—If property is disposed of prior to the life-years category used in computing the investment credit, the tax for the year of disposition must be increased by the difference between the credit taken (including carrybacks and carryovers) on such property and the credit which would have been allowed had the actual life been used. Form 4255 may be used to compute the increase in tax. This additional tax does not apply to property stolen or destroyed by casualty after 4–18–69. Moreover, it does not apply to any other disposition of property to the extent the taxpayer replaces the property within 6 months after the disposition with property that would be section 38 property but for section 49 of the Code.

F. Carryback and Carryover of Unused Credits.—Any part of an investment credit which may not be used because it exceeds the amount allowable (including an unused credit created by the carryback of a net capital loss sustained in taxable years beginning after 12–31–69 or by the carryback of a net operating loss) may be carried back 3 years and forward 7 and may be used to the extent permissible within the limitations applicable in those years. Unused credits that can't be used solely because of the special 20% limitation may be carried forward 10 years instead of 7.

A claim for refund based upon the carryback of an unused investment credit may be made on Form 843 or by filing Form 1040X (individuals) or an amended return for the year to which the unused credit is carried. Taxpayers who desire a tentative (quick) refund may file Form 1045 (individuals) or Form 1139 (corporations).

G. Basis and Cost.—The credit for new property applies to the basis of the property. The credit for used property applies to the cost of the property. The cost of used property does not include the basis of any property traded in unless the trade-in resulted in the recapture of all or any portion of an investment credit previously allowed or in a reduction of an investment credit carryback or carryover.

No adjustment for additional first-year depreciation or salvage value is required.

Specific Instructions

Line 1. New Property.—Enter the basis of property as described in instructions C and G placed in service during the taxable year.

Used Property.—Enter the cost (subject to dollar limitation below) of used property placed in service during the taxable year. Property inherited, received as a gift, or acquired from certain related parties does not qualify for the investment credit. See instruction G.

Dollar Limitation on Used Property.—In general, the amount of used property which may be taken into account may not exceed $50,000 (determined without regard to the applicable percentages based on useful life).

If a husband and wife file separate returns, each may count only up to $25,000 unless one of them has no qualifying used property, in which case the other may claim up to $50,000.

The amount of used property placed in service by a partnership (or corporation electing not to be taxed) which may be taken into account by the partners (or shareholders) may not exceed $50,000. The $50,000 limitation also applies to each partner and shareholder.

An affiliated group of corporations must apportion the $50,000 limitation among the members of the group on the basis of the total cost of used property placed in service by each member. The apportionment is made without regard to both the $50,000 limitation and the applicable percentages based on useful life.

Estates and Trusts.—In case of an estate or trust the amount of investment is apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

Line 4.—The Tax Reform Act provided a special limitation on the amount of unused credits that may be carried over and claimed as a credit in taxable years beginning after 1968.

For taxable years beginning in 1969, only 20% of the total amount of available investment credit carrybacks and carryovers to 1969 may be claimed as a credit.

For taxable years beginning after 1969, the amount of available investment credit carrybacks and carryovers that may be claimed as a credit may not exceed 20% of the higher of (1) the aggregate amount of investment credit carrybacks and carryovers to the taxable year, or (2) the highest total amount of carrybacks and carryovers to any preceding taxable year (prior to the current taxable year) that began after 1968. In no event may the amount claimed on line 4 exceed the available amount of investment credit carrybacks and carryovers to the taxable year.

For example, if a taxpayer has $500 of unused credits from years prior to 1969 available as a carryover to 1969, the amount of the carryover that may be claimed as a credit in 1969 may not exceed $100 (20% of $500). If, in 1972, a $300 unused credit arose from investment in 1972, the amount of unused credits that could be carried to 1969 would be increased to $800 ($500 carryforward plus $300 carryback). Accordingly, the limitation for 1969 would be retroactively increased to $160 (20% of $800).

The special 20% limitation referred to above is in addition to the general limitation based on the amount of tax liability. Rules have not changed regarding the order in which unused credit carryovers to a taxable year from 2 or more other years are to be used; that is, unused credits from 2 or more years are used up in the order in which they occur.

Line 10. Limitation.—If the tax liability (line 9) is $25,000 or less, the investment credit may not exceed the amount of the tax liability.

If the tax liability exceeds $25,000, the credit may not exceed $25,000 plus 50% of the excess.

If a husband and wife file separate returns and both are entitled to an investment credit, the limitation is computed by substituting $12,500 for the $25,000 shown on lines 10(a) and (b).

Affiliated groups must apportion the $25,000 among all members.

In the case of an estate or trust, the $25,000 amount must be reduced to (a) $25,000 multiplied by (b) the qualified investment apportioned to the estate or trust, divided by (c) the aggregate qualified investment apportioned among the estate or trust and its beneficiaries.

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