Form **3468**

Department of the Treasury
Internal Revenue Service

Computation of Investment Credit

► Attach to your tax return.
For calendar year 1973 or other taxable year beginning ...., 1973, and ending ...., 19......

1973

Name	Identifying number as shown on page 1 of your tax return

1 Qualified investment in new and used property (See instructions C and D for eligible property)
NOTE: Include your share of investment property by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New Property	(a)	3 or more but less than 5		33⅓	
	(b)	5 or more but less than 7		66⅔	
	(c)	7 or more		100	
Used Property (See instructions for dollar limitation)	(d)	3 or more but less than 5		33⅓	
	(e)	5 or more but less than 7		66⅔	
	(f)	7 or more		100	

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

3 Tentative investment credit—7% of line 2 (4% for public utility property) . . . .

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

5 Total—Add lines 3 and 4 . . . .

Limitation

6 (a) Individuals—Enter amount from line 16, page 1, Form 1040 . . . .
(b) Estates and trusts—Enter amount from line 24 or 25, page 1, Form 1041. . . . } . . .
(c) Corporations—Enter amount from line 5, Schedule J, Form 1120. . . . .

7 Less: (a) Foreign tax credit . . . .
(b) Retirement income credit (individuals only) . . . .

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

9 Line 6 less line 8 . . . .

10 (a) Enter amount on line 9 or $25,000, whichever is lesser. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 10.) . . . .

(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 from 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	Property: Used	Property: Life years
		$	$	

In the event that property is disposed of prior to the life years used in computing the investment credit, see instruction E.

16—82352—1

General Instructions

(References are to the Internal Revenue Code)

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, but they must complete Schedule K on their returns showing the allocation of investment credit property to the partners and shareholders.

The investment credit is not applicable to a Domestic International Sales Corporation (DISC) and it does not pass through to any shareholder of a DISC.

An estate or trust is allowed a credit for its share of the investment in certain depreciable property having an estimated useful life of 3 or more years. Estates and trusts that apportion the investment between themselves and the beneficiaries should, in addition to filing this form, attach a statement showing the allocation of the investment among the beneficiaries. The statement must show (a) each beneficiary's allocable share of the basis of the new property and (b) each beneficiary's allocable share of the cost of used property, and the "life years" assigned to the property.

B. When Allowed.—A credit against your tax is allowed for investment in certain depreciable property having an estimated useful life of 3 years or more. The credit is allowed for the first year the property is placed in service.

C. Property Defined.—Except as provided below, the investment credit is applicable to (a) tangible personal property, (b) elevators and escalators, (c) 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 facility or bulk storage facility for fungible commodities in connection with these activities, and (d) livestock (other than horses) if substantially identical livestock (not subject to recapture tax) is not sold or disposed of (except in an involuntary conversion) during the one-year period beginning 6 months before the date of acquisition. The cost of the acquired livestock must be reduced by the amount realized on the disposition of the substantially identical livestock.

The investment credit is **not** applicable to:

(1) certain property used predominantly outside the U.S.;

(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), (b) property used by a hotel or motel, or (c) coin-operated vending machines, washing machines, and dryers;

(3) property used by a tax-exempt organization (except where the unrelated business income tax applies);

(4) property used by governmental units; and

(5) that portion of a pollution control facility, railroad rolling stock, coal mine safety equipment expenditures, rehabilitation of low income housing, job training facilities, or day care facilities (see sections 169, 184, 187, 167(k), 188, respectively) that the taxpayer has elected to amortize over a 5-year period.

D. Election for Leased Property.—A lessor may elect to treat all or a portion of an investment in new property as if made by the lessee instead of the lessor. See section 48(d). For limitation on availability of the credit to certain lessors, see section 46(d)(3).

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 credit must be recomputed using as the useful life the period the property was actually held. In recomputing the credit, use the life year categories shown on page 1. If the credit taken, including carrybacks and carryovers, is more than the recomputed credit, the tax for the year of disposition must be increased by the excess. Form 4255 may be used to compute the increase in tax.

F. Carryback and Carryover of Unused Credits.—Any part of an investment credit that may not be used because it exceeds the amount allowable (including an unused credit created by the carryback of a net capital loss or 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.

Special rule for carryover of unused credits from taxable years ending before 1971.—Unused credits from taxable years ending before 1971 which can be carried over to a taxable year beginning after 1970 may be carried forward for a total of 10 years.

Similarly, unused credits which are not absorbed because of the special 20% limitation on the amount of unused credit carryovers and carrybacks to years beginning after 1968 and before 1971 may also be carried forward a total of 10 years.

A claim for refund based upon the carryback of an unused investment credit may be made by filing Form 843, Form 1040X (individuals), Form 1120X (corporations), 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.

The useful life of the qualifying property for purposes of the investment credit must be the same as the useful life used for depreciation or amortization.

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. See instruction G. Property inherited, received as a gift, or acquired from certain related parties does not qualify for the investment credit.

Dollar Limitation on Used Property.—In general, the amount of used property that 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, small business corporation, estate, or trust that may be taken into account may not exceed $50,000. The $50,000 limitation also applies to each partner, shareholder, and beneficiary.

A controlled group of corporations (see section 48(c)(3)(C)) must apportion the $50,000 limitation among the component 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. Priority of Application of Unused Credits.—The limitation is first absorbed by:

(a) Unused credits carried from years ending before 1971, then by

(b) Credits for property placed in service in the current year, and then by

(c) Unused credits from taxable years ending after 1970.

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 in lines 10(a) and (b).

Controlled corporate groups (see section 46(a)(5)) must apportion the $25,000 among all component members.

For 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.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1973—O-500-137