20**10** Instructions for Form 3468



Investment Credit

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

The Patient Protection and Affordable Care Act added a new investment credit for the qualifying therapeutic discovery project credit. See the instructions to line 8.

General Instructions

Purpose of Form

Use Form 3468 to claim the investment credit. The investment credit consists of the rehabilitation, energy, qualifying advanced coal project, qualifying gasification project, qualifying advanced energy project, and qualifying therapeutic discovery project credits. If you file electronically, you must send in a paper Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, if attachments are required to Form 3468.

Investment Credit Property

Investment credit property is any depreciable or amortizable property that qualifies for the rehabilitation credit, energy credit, qualifying advanced coal project credit, qualifying gasification project credit, qualifying advanced energy project, or qualifying therapeutic discovery project credit.

You cannot claim a credit for property that is:

• Used mainly outside the United States (except for property described in section 168(g)(4));

• Used by a governmental unit or foreign person or entity (except for a qualified rehabilitated building leased to that unit, person, or entity; and property used under a lease with a term of less than 6 months);

• Used by a tax-exempt organization (other than a section 521 farmers' cooperative) unless the property is used mainly in an unrelated trade or business or is a qualified rehabilitated building leased by the organization;

• Used for lodging or in the furnishing of lodging (see section 50(b)(2) for exceptions); or

• Certain MACRS business property to the extent it has been expensed under section 179 of the Internal Revenue Code.

Qualified Progress Expenditures

Qualified progress expenditures are those expenditures made before the property is placed in service and for which the taxpayer has made an election to treat the expenditures as progress expenditures. Qualified progress expenditure property is any property that is being constructed by or for the taxpayer and which (a) has a normal construction period of two years or more, and (b) it is reasonable to believe that the property will be new investment credit property in the hands of the taxpayer when it is placed in service. The placed in service requirement does not apply to qualified progress expenditures.

Qualified progress expenditures for:

• Self-constructed property means the amount that is properly chargeable (during the tax year) to capital account with respect to that property; or

• Non-self-constructed property means the lesser of: (a) the amount paid (during the tax year) to another person for the construction of the property, or (b) the amount that represents the proportion of the overall cost to the taxpayer of the

construction by the other person which is properly attributable to that portion of the construction which is completed during the tax year.

For more information on qualified progress expenditures, see section 46(d) (as in effect on November 4, 1990). For details on qualified progress expenditures for the rehabilitation credit, see section 47(d).

At-Risk Limit for Individuals and Closely Held Corporations

The cost or basis of property for investment credit purposes may be limited if you borrowed against the property and are protected against loss, or if you borrowed money from a person who is related or who has an interest (other than as a creditor) in the business activity. The cost or basis must be reduced by the amount of the nonqualified nonrecourse financing related to the property as of the close of the tax year in which the property is placed in service. If, at the close of a tax year following the year property was placed in service, the nonqualified nonrecourse financing for any property has increased or decreased, then the credit base for the property changes accordingly. The changes may result in an increased credit or a recapture of the credit in the year of the change. See sections 49 and 465 for details.

Recapture of Credit

You may have to refigure the investment credit and recapture all or a portion of it if:

• You dispose of investment credit property before the end of 5 full years after the property was placed in service (recapture period);

• You change the use of the property before the end of the recapture period so that it no longer qualifies as investment credit property;

• The business use of the property decreases before the end of the recapture period so that it no longer qualifies (in whole or in part) as investment credit property;

• Any building to which section 47(d) applies will no longer be a qualified rehabilitated building when placed in service;

Any property to which section 48(b) applies will no longer qualify as investment credit property when placed in service;
Before the end of the recapture period, your proportionate interest is reduced by more than one-third in an S corporation, partnership (other than an electing large partnership), estate, or trust that allocated the cost or basis of property to you for which you claimed a credit;

• You return leased property (on which you claimed a credit) to the lessor before the end of the recapture period;

• A net increase in the amount of nonqualified nonrecourse financing occurs for any property to which section 49(a)(1) applied; or

• A grant under section 1603 of the American Recovery and Reinvestment Tax Act of 2009 was made for section 48 property for which a credit was determined before the grant was made.

• A grant under section 9023 of the Patient Protection and Affordable Care Act was made for investment for which a credit was determined under section 48D before the grant was made. **Exceptions to recapture.** Recapture of the investment credit does not apply to any of the following.

1. A transfer due to the death of the taxpayer.

2. A transfer between spouses or incident to divorce under section 1041. However, a later disposition by the transferee is

subject to recapture to the same extent as if the transferor had disposed of the property at the later date.

3. A transaction to which section 381(a) applies (relating to certain acquisitions of the assets of one corporation by another corporation).

4. A mere change in the form of conducting a trade or business if:

a. The property is retained as investment credit property in that trade or business, and

b. The taxpayer retains a substantial interest in that trade or business.

A mere change in the form of conducting a trade or business includes a corporation that elects to be an S corporation and a corporation whose S election is revoked or terminated.

For more information, see the Instructions for Form 4255.

See section 46(g)(4) (as in effect on November 4, 1990), and related regulations, if you made a withdrawal from a capital construction fund set up under the Merchant Marine Act of 1936 to pay the principal of any debt incurred in connection with a vessel on which you claimed investment credit.

For details, see Form 4255, Recapture of Investment Credit.

Specific Instructions

Do not attach this form to your tax return if you are (a) an estate or trust whose entire qualified rehabilitation expenditures or bases in energy property are allocated to the beneficiaries, (b) an S corporation, or (c) a partnership (other than an electing large partnership). However, you must complete lines 11k and 11l of this form and attach it if you are the owner of a certified historic structure.

Shareholders of S Corporations, Partners of Partnerships, and Beneficiaries of Estates and Trusts

If you are a shareholder, partner (other than a partner in an electing large partnership), or beneficiary of the designated pass-through entity, the entity will provide to you the information necessary to complete the following:

• The qualified investment in qualifying advanced coal project property for lines 5a through 5c.

• The qualified investment in qualifying gasification project property for lines 6a and 6b.

• The qualified investment in qualifying advanced energy project property for line 7.

• The qualified investment in qualifying therapeutic discovery projects for line 8.

• The information for lines 11b through 11j and 11m for the rehabilitation credit.

• The basis of energy property for lines 12a, 12b, 12c, 12f, 12i, 12l, 12o, 12q, 12r, and 12s.

• The kilowatt capacity for lines 12d, 12g, and 12j.

The megawatt capacity or horsepower for line 12m.

Part I. Information Regarding the Election To Treat the Lessee as the Purchaser of Investment Credit Property

If you lease property to someone else, you may elect to treat all or part of your investment in new property as if it were made by the person who is leasing it from you. Once the election is made, the lessee will be entitled to an investment credit for that property for the tax year in which the property is placed in service and the lessor will generally not be entitled to such a credit.

If the leased property is disposed of, or otherwise ceases to be section 38 property, the property will generally be subject to the recapture rules for early dispositions.

For information on making the election, see section 48(d) (as in effect on November 4, 1990) and related regulations. For

limitations, see sections 46(e)(3) and 48(d) (as in effect on November 4, 1990).

Line 2

Enter the lessor's full address. Enter the address of the lessor's principal office or place of business. Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and the lessor has a P.O. box, show the box number instead.

Note. Do not use the address of the registered agent for the state in which the lessor is incorporated. For example, if a business is incorporated in Delaware or Nevada and the lessor's principal place of business is located in Little Rock, AR, you should enter the Little Rock address.

If the lessor receives its mail in care of a third party (such as an accountant or attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

Qualifying Advanced Coal Project Credit

A qualifying advanced coal project is a project that: • Uses advanced coal-based generation technology (as defined in section 48A(f)) to power a new electric generation unit or to refit or repower an existing electric generation unit (including an existing natural gas-fired combined cycle unit), • Has fuel input which, when completed, will be at least 75

Percent coal,
Has an electric generation unit or units at the site that will generate at least 400 megawatts,

• Has a majority of the output that is reasonably expected to be acquired or utilized,

• Is to be constructed and operated on a long-term basis when the taxpayer provides evidence of ownership or control of a site of sufficient size,

• Will be located in the United States, and

• Includes equipment that separates and sequesters at least 65 percent (70 percent in the case of an application for reallocated credits) of the project's total carbon dioxide emissions for project applications described in section 48A(d)(2)(A)(ii).

Basis. Qualified investment for any tax year is the basis of eligible property placed in service by the taxpayer during the tax year which is part of a qualifying advanced coal project. Eligible property is limited to property which can be depreciated or amortized and which was constructed, reconstructed, or erected and completed by the taxpayer; or which is acquired by the taxpayer if the original use of such property commences with the taxpayer.

Basis reduction for certain financing. If property is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, the amount that you can claim as basis is the basis that would otherwise be allowed multiplied by a fraction that is 1 reduced by a second fraction, the numerator of which is that portion of the basis allocable to such financing or proceeds, and the denominator of which is the basis of the property. For example, if the basis of the property is \$100,000 and the portion allocable to such financing or proceeds is \$20,000, the fraction of the basis that you may claim the credit on is 4/5 (that is, 1 minus \$20,000/\$100,000). Subsidized energy financing means financing provided under a federal, state, or local program, a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

Line 5a

Enter the qualified investment in integrated gasification combined cycle property placed in service during the tax year for projects described in section 48A(d)(3)(B)(i). Eligible property is any property which is part of a qualifying advanced coal project using an integrated gasification combined cycle and is necessary for the gasification of coal, including any coal handling and gas separation equipment.

Integrated gasification combined cycle is an electric generation unit which produces electricity by converting coal to

synthesis gas, which in turn is used to fuel a combined-cycle plant to produce electricity from both a combustion turbine (including a combustion turbine/fuel cell hybrid) and a steam turbine.

Line 5b

Enter the qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(ii). Eligible property is any property which is part of a qualifying advanced coal project (defined earlier) not using an integrated gasification combined cycle.

Line 5c

Enter the qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(iii). Eligible property is any certified property located in the United States and which is part of a qualifying advanced coal project (defined earlier) which has equipment that separates and sequesters at least 65 percent of the project's total carbon dioxide emissions. This percentage increases to 70 percent if the credits are later reallocated by the IRS.

The credit will be recaptured if a project fails to attain or maintain the carbon dioxide separation and sequestration requirements. For details, see section 48A(i).

Qualifying Gasification Project Credit

A qualifying gasification project is a project that:

• Employs gasification technology (as defined in section 48B(c)(2)),

• Is carried out by an eligible entity (as defined in section 48B(c)(7)), and

• Includes a qualified investment of which an amount not to exceed \$650 million is certified under the qualifying gasification program as eligible for credit.

The total amount of credits that may be allocated under the qualifying gasification project program may not exceed \$600 million.

For more information on the qualifying gasification project and the qualifying gasification program, see Notice 2009-23, 2009-16 I.R.B. 802.

Basis reduction. If property is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, figure the credit by using the basis of such property reduced under the rules described in *Basis reduction for certain financing*, earlier.

Line 6a

Enter the qualified investment in qualifying gasification project property (defined above) placed in service during the tax year for which credits were allocated or reallocated after October 3, 2008, and that include equipment that separates and sequesters at least 75% of the project's carbon dioxide emissions. Qualified investment is the basis of eligible property placed in service during the tax year that is part of a qualifying gasification project.

For purposes of this credit, eligible property includes any property that is part of a qualifying gasification project and necessary for the gasification technology of such project. The IRS is required to recapture the benefit of any allocated credit if a project fails to attain or maintain these carbon dioxide separation and sequestration requirements. See section 48B(f).

Line 6b

Enter the qualified investment, other than line 6a, in qualifying gasification project property (defined above) placed in service during the tax year.

Qualifying Advanced Energy Project Credit

To be eligible for the qualifying advanced energy project credit, some or all of the qualified investment in the qualifying advanced energy project must be certified by the IRS under section 48C(d). For more information on certification, see Notice 2009-72, 2009-37 I.R.B. 325.

Line 7

Enter the qualified investment in qualifying advanced energy project property placed in service during the tax year, that is part of a qualifying advanced energy project. Qualified investment is the basis of eligible property placed in service during the tax year that is part of a qualifying advanced energy project.

Qualifying advanced energy project means a project that re-equips, expands, or establishes a manufacturing facility for the production of:

• Property designed to be used to produce energy from the sun, wind, geothermal deposits (within the meaning of section 613(e)(2)), or other renewable resources,

• Fuel cells, microturbines, or an energy storage system for use with electric or hybrid-electric motor vehicles,

• Electric grids to support the transmission of intermittent

sources of renewable energy, including storage of the energy,
Property designed to capture and sequester carbon dioxide emissions.

• Property designed to refine or blend renewable fuels or to produce energy conservation technologies (including energy-conserving lighting technologies and smart grid technologies),

• New qualified plug-in electric drive motor vehicles (as defined in section 30D), qualified plug-in electric vehicles (as defined in section 30(d)), or components which are designed specifically for use with those vehicles, including electric motors, generators, and power control units, and

• Other advanced energy property designed to reduce greenhouse gas emissions.

A qualifying advanced energy project does not include any portion of a project for the production of any property that is used in the refining or blending of any transportation fuel (other than renewable fuels).

Eligible property. Eligible property is property that is necessary for the production of property described in section 48C(c)(1)(A)(i), for which depreciation or amortization is available and is tangible personal property or other tangible property (not including a building or its structural components), but only if the property is used as an integral part of the qualifying advanced energy project.

Transitional rule. Enter only the basis:

• Attributable to constructed, reconstruction, or erection by the taxpayer after February 17, 2009,

 Of property acquired and placed in service after February 17, 2009, and

• Only to the extent of the qualified investment (as determined under section 46(c) and (d) as in effect on November 4, 1990) with respect to qualified progress expenditures made after February 17, 2009.

Qualifying Therapeutic Discovery Project Credit

To be eligible for the qualifying therapeutic discovery project credit, some or all of the investment in the qualifying therapeutic discovery project must be certified by the IRS under section 48D. For more information, see Notice 2010-45, 2010-23 I.R.B. 734, available at http://www.irs.gov/irb/2010-23_IRB/ar08.html

Line 8

Enter the qualified investment in qualifying therapeutic discovery projects that have been certified as eligible for the qualifying therapeutic discovery project credit. For details, see section 48D, Notice 2010-45, and the Instructions for Form 8942, Application for Certification of Qualified Investments Eligible for Credits and Grants Under the Qualified Therapeutic Discovery Project Program.

Credit from Cooperatives

Line 9

Patrons, including cooperatives that are patrons in other cooperatives, enter the unused investment credit from the qualifying advanced coal project credit, qualifying gasification project credit, or qualifying advanced energy project credit

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allocated from cooperatives. If you are a cooperative, see the Instructions for Form 3800, line 1a, for allocating the investment credit to your patrons.

Rehabilitation Credit

You are allowed a credit for qualified rehabilitation expenditures made for any qualified rehabilitated building. You must reduce your basis by the amount of the credit determined for the tax year.

If the adjusted basis of the building is determined in whole or in part by reference to the adjusted basis of a person other than the taxpayer, see Regulations section 1.48-12(b)(2)(viii) for additional information that must be attached.

Qualified Rehabilitated Building

To be a qualified rehabilitated building, your building must meet all five of the following requirements.

1. The building must have been placed in service (see requirement 4) prior to 1936 unless it is a certified historic structure. A certified historic structure is any building (a) listed in the National Register of Historic Places, or (b) located in a registered historic district (as defined in section 47(c)(3)(B)) and certified by the Secretary of the Interior as being of historic significance to the district. Certification requests are made through your State Historic Preservation Officer on National Park Service (NPS) Form 10-168a, Historic Preservation Should be made prior to physical work beginning on the building.

2. The building must be substantially rehabilitated. A building is considered substantially rehabilitated if your qualified rehabilitation expenditures during a self-selected 24-month period that ends with or within your tax year are more than the greater of \$5,000 or your adjusted basis in the building and its structural components. Figure adjusted basis on the first day of the 24-month period or the first day of your holding period, whichever is later. If you are rehabilitating the building in phases under a written architectural plan and specifications that were completed before the rehabilitation began, substitute "60-month period" for "24-month period."

If the building is in one of the designated counties or parishes in the GO Zone, Rita GO Zone, or Wilma GO Zone, the "24-month period" and "60-month period" is extended by 12 months. However, the rehabilitation must have begun, but not been completed, and the building placed in service **prior** to the following dates.

	States	Date
GO Zone	Florida	August 24, 2005
GO Zone	Louisiana, Mississippi, and Alabama	August 29, 2005
Rita GO Zone	Louisiana and Texas	September 23, 2005
Wilma GO Zone	Florida	October 23, 2005

3. Depreciation must be allowable with respect to the building. Depreciation is not allowable if the building is permanently retired from service. If the building is damaged, it is not considered permanently retired from service where the taxpayer repairs and restores the building and returns it to actual service within a reasonable period of time.

For a building damaged in the GO Zone, Rita GO Zone, or Wilma GO Zone, that reasonable period is deemed to be up to 36 months, subject to the following qualifications.

• The building must have been placed in service **prior to the date** as given in the table above.

• The relevant 36-month period for that building **starts on the same date** as given in the table above.

• Beginning no later than August 15, 2006, for GO Zone, Rita GO Zone, or Wilma GO Zone property, the taxpayer must be engaged in the repair or restoration of building, defined as:

a. Ongoing physical repairs,

b. Written contracts in place for the repair or restoration to be completed within the designated 36-month period, or

c. Active negotiation of contracts for the repair or restoration to be completed within the designated 36-month period, but only if the contracts are finalized prior to January 1, 2007.

4. The building must have been placed in service before the beginning of rehabilitation. This requirement is met if the building was placed in service by any person at any time before the rehabilitation began.

5. For a building other than a certified historic structure (a) at least 75% of the external walls must be retained with 50% or more kept in place as external walls, and (b) at least 75% of the existing internal structural framework of the building must be retained in place.

Qualified Rehabilitation Expenditures

To be qualified rehabilitation expenditures, your expenditures must meet all six of the following requirements.

1. The expenditures must be for (a) nonresidential rental property, (b) residential rental property (but only if a certified historic structure—see Regulations section 1.48-1(h)), or (c) real property that has a class life of more than 12 years.

2. The expenditures must be incurred in connection with the rehabilitation of a qualified rehabilitated building.

3. The expenditures must be capitalized and depreciated using the straight line method.

4. The expenditures cannot include the costs of acquiring or enlarging any building.

5. If the expenditures are in connection with the rehabilitation of a certified historic structure or a building in a registered historic district, the rehabilitation must be certified by the Secretary of the Interior as being consistent with the historic character of the property or district in which the property is located. This requirement does not apply to a building in a registered historic district if (a) the building is not a certified historic structure, (b) the Secretary of the Interior certifies that the building is not of historic significance to the district, and (c) if the certification in (b) occurs after the rehabilitation began, the taxpayer certifies in good faith that he or she was not aware of that certification requirement at the time the rehabilitation began.

6. The expenditures cannot include any costs allocable to the part of the property that is (or may reasonably expect to be) tax-exempt use property (as defined in section 168(h) except that "50 percent" shall be substituted for "35 percent" in paragraph (1)(B)(iii)). This exclusion does not apply for line 11d.

Line 11

For credit purposes, the expenditures are generally taken into account for the tax year in which the qualified rehabilitated building is placed in service. However, with certain exceptions, you may elect to take the expenditures into account for the tax year in which they were paid (or, for a self-rehabilitated building, when capitalized) if (a) the normal rehabilitation period for the building is at least 2 years, and (b) it is reasonable to expect that the building will be a qualified rehabilitated building when placed in service. For details, see section 47(d). To make this election, check the box on line 11a. The credit, as a percent of expenditures paid or incurred during the tax year for any qualified rehabilitated building, depends on the type of structure and its location.

Note. The credit is increased for qualified rehabilitated expenditures made on or after the applicable disaster date for qualified rehabilitated buildings or structures damaged or destroyed as a result of the severe storms, tornados, or flooding in the Midwestern disaster area. For details on the affected counties and the applicable disaster dates in the Midwestern disaster area, see Tables 1 and 2 in Publication 4492-B, Information for Affected Taxpayers in the Midwestern Disaster Areas.

If the structure is	Located	Report on Line
Other than a certified historic structure	In the GO Zone	11e
Other than a certified historic structure	In the Midwestern disaster area	11f
Other than a certified historic structure	Elsewhere than in the GO Zone or Midwestern disaster area	11g
Certified historic structure	In the GO Zone	11h
Certified historic structure	In the Midwestern disaster area	11i
Certified historic structure	Elsewhere than in the GO Zone or Midwestern disaster area	11j

If you are claiming a credit for a certified historic structure on lines 11h, 11i, or 11j, enter the assigned NPS project number on line 11k. If the qualified rehabilitation expenditures are from an S corporation, partnership, estate, or trust, enter on line 11k the employer identification number of the pass-through entity instead of the assigned NPS project number, and skip line 11I and the instructions below.

Enter the date of the final certification of completed work received from the Secretary of the Interior on line 111. If the final certification has not been received by the time the tax return is filed for a year in which the credit is claimed, attach a copy of the first page of NPS Form 10-168a, Historic Preservation Certification Application (Part 2-Description of Rehabilitation), with an indication that it was received by the Department of the Interior or the State Historic Preservation Officer, together with proof that the building is a certified historic structure (or that such status has been requested). After the final certification of completed work has been received, file Form 3468 with the first income tax return filed after receipt of the certification and enter the assigned NPS project number and the date of the final certification of completed work on the appropriate lines on the form. Also attach an explanation, and indicate the amount of credit claimed in prior years.

If you fail to receive final certification of completed work prior to the date that is 30 months after the date that you filed the tax return on which the credit was claimed, you must submit a written statement to the IRS stating that fact before the last day of the 30th month. You will be asked to consent to an agreement under section 6501(c)(4) extending the period of assessment for any tax relating to the time for which the credit was claimed. Mail to:

Internal Revenue Service 2970 Market Street 4-E08.141 LIH Unit - Mail Stop E-08.143 Philadelphia, PA 19104

You must retain a copy of the final certification of completed work as long as its contents may be needed for the administration of any provision of the Internal Revenue Code.

If the final certification is denied by the Department of Interior, the credit is disallowed for any tax year in which it was claimed, and you must file an amended return if necessary. See Regulations section 1.48-12(d)(7)(ii) for details.

Energy Credit

To qualify as energy property, property must:

1. Meet the performance and quality standards, if any, that have been prescribed by regulations and are in effect at the time the property is acquired;

2. Be property for which depreciation (or amortization in lieu of depreciation) is allowable; and

3. Be property either:

a. The construction, reconstruction, or erection of which is completed by the taxpayer; or

b. Acquired by the taxpayer if the original use of such property must begin with the taxpayer.

Energy property does not include any property acquired before February 14, 2008, or to the extent of basis attributable to construction, reconstruction, or erection before February 14, 2008, that is public utility property, as defined by section 46(f)(5) (as in effect on November 4, 1990), and related regulations.

You must reduce the basis of energy property by 50% of the energy credit determined.

You must reduce the basis of energy property used for figuring the credit by any amount attributable to qualified rehabilitation expenditures.

Energy property that qualifies for a grant under section 1603 of the American Recovery and Reinvestment Tax Act of 2009 is not eligible for the energy credit for the tax year that the grant is made or any subsequent tax year.

Basis reduction. If energy property (acquired before January 1, 2009, or to the extent of its basis attributable to construction, reconstruction, or erection before January 1, 2009) is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, reduce the basis of such property under the rules described in *Basis reduction for certain financing*, earlier. For property acquired after December 31, 2008, and for basis attributable to construction, reconstruction, or erection after December 31, 2008, there is no basis reduction for property financed by subsidized energy financing or by tax-exempt private activity bonds.

Line 12a

Enter the basis of any property placed in service during the tax year that uses geothermal energy. Geothermal energy property is equipment that uses geothermal energy to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)). For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electrical transmission stage.

Also enter the basis, attributable to periods before January 1, 2006, of property placed in service during the tax year that uses solar energy to:

1. Generate electricity,

2. Heat or cool (or provide hot water for use in) a structure, or

3. Provide solar process heat (but not to heat a swimming pool).

Basis is attributable to periods before January 1, 2006, if the property was acquired before January 1, 2006, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer before January 1, 2006.

Line 12b

Enter the basis, attributable to periods after December 31, 2005, of any property using solar energy placed in service during the tax year. There are two types of property.

1. Equipment that uses solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight.

2. Equipment that uses solar energy to:

a. Generate electricity,

b. Heat or cool (or provide hot water for use in) a structure, or

c. Provide solar process heat (but not to heat a swimming pool).

Basis is attributable to periods after December 31, 2005, if the property was acquired after December 31, 2005, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005.

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Line 12c

Enter the basis, attributable to periods after December 31, 2005, and before October 4, 2008, of any qualified fuel cell property placed in service during the tax year.

Qualified fuel cell property is a fuel cell power plant that generates at least 0.5 kilowatt of electricity using an electrochemical process and has electricity-only generation efficiency greater than 30 percent. See section 48(c)(1) for further details.

Basis is attributable to periods after December 31, 2005, and before October 4, 2008, if the property was acquired after December 31, 2005, and before October 4, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005, and before October 4, 2008.

Line 12d

Enter the applicable number of kilowatts of capacity attributable to the basis on line 12c.

Transitional Rule. The increase in the kilowatt limit from \$1,000 to \$3,000 per kilowatt applies only to:

• property (other than property for which you have elected to treat expenditures as qualified progress expenditures) the construction, reconstruction, or erection of which is completed by the taxpayer after October 3, 2008, but only to the extent of the basis thereof attributable to the construction, reconstruction, or erection during such period;

• property (other than property for which you have elected to treat expenditures as qualified progress expenditures) acquired and placed in service after October 3, 2008; and

• property for which you have elected to treat expenditures as qualified progress expenditures but only to the extent of the qualified investment with respect to qualified progress expenditures made after October 3, 2008.

Line 12f

Enter the basis, attributable to periods after October 3, 2008, of any qualified fuel cell property placed in service during the tax year.

For a definition of qualified fuel cell property, see ${\it Line~12c}$ above.

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Line 12g

Enter the applicable number of kilowatts of capacity attributable to the basis on line 12f.

Transitional Rule. For transitional rules, see Line 12d.

Line 12i

Enter the basis, attributable to periods after December 31, 2005, of any qualified microturbine property placed in service during the tax year. Qualified microturbine property is a stationary microturbine power plant which generates less than 2,000 kilowatts and has an electricity-only generation efficiency of not less than 26 percent at International Standard Organization conditions. See section 48(c)(2) for further details.

Basis is attributable to periods after December 31, 2005, if the property was acquired after December 31, 2005, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005.

Line 12I

Enter the basis, attributable to periods after October 3, 2008, of any qualified combined heat and power system property placed in service during the tax year. Combined heat and power system property is property that uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both; in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications); the energy efficiency percentage of which exceeds 60 percent; and it produces:

At least 20 percent of its total useful energy in the form of thermal energy that is not used to produce electrical or mechanical power (or a combination thereof), and
At least 20 percent of its total useful energy in the form of electrical or mechanical power (or a combination thereof).

For details, see section 48(c)(3).

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Energy efficiency percentage. The energy efficiency percentage of a combined heat and power system property is the fraction — the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and expected to be consumed in its normal application, and the denominator of which is the lower heating value of the fuel sources for the system. The energy efficiency percentage is determined on a Btu basis.

Combined heat and power system property does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

Biomass systems. Systems designed to use biomass for at least 90 percent of the energy source are eligible for a credit that is reduced in proportion to the degree to which the system fails to meet the efficiency standard. For more information, see section 48(c)(3)(D).

Line 12o

Enter the basis, attributable to periods after October 3, 2008, and before January 1, 2009, of any qualified small wind energy property placed in service during the tax year.

Qualified small wind energy property means property that uses a qualifying small wind turbine to generate electricity. For this purpose, a qualifying small wind turbine means a wind turbine which has a nameplate capacity of not more than 100 kilowatts. For details, see section 48(c)(4).

Basis is attributable to periods after October 3, 2008, and before January 1, 2009, if the property was acquired after October 3, 2008, and before January 1, 2009, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008, and before January 1, 2009.

Line 12p

Enter the smaller of the basis you entered on line 120 or \$4,000.

Line 12q

Enter the basis, attributable to periods after December 31, 2008, of any qualified small wind energy property placed in service during the tax year. For the definition of qualified small wind energy property, see the instruction to line 120, above.

Basis is attributable to periods after December 31, 2008, if the property was acquired after December 31, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2008.

Line 12r

Enter the basis, attributable to periods after October 3, 2008, of any geothermal heat pump system placed in service during the tax year. Geothermal heat pump systems constitute equipment which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure. For details, see section 48(a)(3)(A)(vii).

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Line 12s

Enter the basis of any qualified investment credit facility property placed in service during the tax year. Qualified investment credit facility property is property for which depreciation or amortization is allowable and is tangible personal property or other tangible property (not including a building or its structural components), but only if the property is used as an integral part of the qualified investment credit facility. See section 48(a)(5) for details.

A qualified investment credit facility is any of the following facilities if no credit has been allowed under section 45 for that facility and an irrevocable election was made to treat the qualified facility as energy property.

• Wind facilities under section 45(d)(1) if the facility is placed in service in 2009, 2010, 2011, or 2012,

• Any qualified facility under section 45(d)(2), (3), (4), (6), (7), (9), or (11), if that facility is placed in service in 2009, 2010, 2011, 2012, or 2013.

The election to treat a qualified facility as energy property is made by claiming the energy credit with respect to qualified investment credit facility property by completing Form 3468 and attaching it to your timely filed income tax return (including extensions) for the tax year that the property is placed in service. You must make a separate election for each qualified facility that is to be treated as a qualified investment credit facility. You must also attach a statement to the Form 3468 that includes the following information:

1. Your name, address, taxpayer identification number, and telephone number.

2. For each qualified investment credit facility:

a. A detailed technical description of the facility, including generating capacity.

b. A detailed technical description of the energy property placed in service during the tax year as an integral part of the facility, including a statement that the property is an integral part of such facility.

c. The date that the energy property was placed in service.

d. An accounting of your basis in the energy property.

e. A depreciation schedule reflecting your remaining basis in the energy property after the energy credit is claimed.

3. A statement that you have not and will not claim a grant under section 1603 of the American Recovery and Reinvestment Tax Act of 2009 for property for which you are

claiming the energy credit. 4. A declaration, applicable to the statement and any accompanying documents, signed by you, or signed by a person currently authorized to bind you in such matters, in the following form: "Under penalties of perjury, I declare that I have examined this statement, including accompanying documents, and to the best of my knowledge and belief, the facts presented in support of this statement are true, correct, and complete."

Line 13

Patrons, including cooperatives that are patrons in other cooperatives, enter the unused investment credit from the rehabilitation credit or energy credit allocated from cooperatives. If you are a cooperative, see the Instructions for Form 3800, line 1a, for allocating the investment credit to your patrons.

Line 15

Enter the amount included on line 14 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, Passive Activity Credit Limitations (for individuals, trusts, and estates), or Form 8810, Corporate Passive Activity Loss and Credit Limitations (for corporations).

Line 17

Enter the rehabilitation credit from passive activities allowed for 2010 that is attributable to qualified rehabilitation expenditures properly taken into account for periods after December 31, 2007. Enter the energy credit from passive activities allowable for 2010 that is determined in tax years beginning after October 3, 2008. Enter on line 5 of Form 3800 the rehabilitation credit from passive activities allowable for 2010 that is attributable to qualified rehabilitation expenditures properly taken into account for periods before January 1, 2008. Enter on line 5 of Form 3800 the energy credit from passive activities allowable for 2010 that is attributable to qualified rehabilitation expenditures properly taken into account for periods before January 1, 2008. Enter on line 5 of Form 3800 the energy credit from passive activities allowable for 2010 determined in tax years beginning before October 4, 2008.

Line 18

Use line 18 to show any carryforward of the rehabilitation credit for tax years after 2007 and of the energy credit for tax years that began after October 3, 2008.

Report any carryforward for years prior to 2008 of the rehabilitation credit and for years beginning before October 4, 2008, of the energy credit on the Form 3800 carryforward line.

Line 19

Use line 19 to show any carryback of the rehabilitation and energy credits if you amend your 2010 return to carry back an unused credit from 2011.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below:

Recordkeeping	17 hrs., 13 min.
Learning about the law or the form	6 hrs., 21 min.
Preparing and sending the form to the IRS	10 hrs., 31 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.