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(1) Enter the assigned NPS project number or the pass-through entityÕs employer identification number (see instructions) . . . . . .

(2) Enter the date that the NPS approved the Request for Certification of Completed Work (see instructions) . . . ./..../....

d (1) Enter the date on which the 24- or 60-month measuring period begins ..../..../.... and ends ..../..../....

(2) Enter the adjusted basis of the building as of the beginning date above (or the first day of your holding period, if later) . . . . . $.....

(3) Enter the amount of the qualified rehabilitation expenditures incurred, or treated as incurred, during the period on line 1d(1) above . . . $.....

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Credit for the elderly or the disabled (Schedule R (Form 1040), line 24)

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General Instructions

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

Purpose of Form

Use Form 3468 to claim the investment credit. The investment credit consists of the rehabilitation, energy, and reforestation credits. Also use Form 3468 to claim a regular investment credit for transition property.

Investment Credit Property

Investment credit property is any depreciable or amortizable property that qualifies for the rehabilitation, energy, or reforestation credit. For details on the rehabilitation credit, see the instructions for lines 1a through 1e. For details on the energy credit, see the instructions for line 2. For details on the reforestation credit, see the instructions for line 3.

You cannot claim a credit for property that is:

1. Used mainly outside the United States (except for property described in section 168(g)(4)),

2. 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),

3. Used by a tax-exempt organization (other than a section 521 farmersÕ cooperative) unless the property is used mainly in an unrelated trade or business or is a qualified rehabilitated building leased by the organization, or

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

Transition Property

Property of certain taxpayers specified in sections 204(a)(8), 204(a)(12), and 204(c)(4) of the Tax Reform Act of 1986 (TRA) may be eligible for the regular investment credit under the transitional rules of section 49 (as in effect on November 4, 1990). Also, certain projects specified in TRA sections 251(d)(3) and (4) may be eligible for the rehabilitation credit under the transitional rules of TRA section 251(d)(5). For property that qualifies under the transitional rules, do not use lines 1 through 4. Instead, attach a statement that shows how you figured the allowable credit. Include the credit on line 5 of Form 3468 and, on the dotted line to the left of line 5, write "TRA" and the section number that lists your property as qualifying for the credit. If you are claiming the rehabilitation credit, see the instructions for lines 1a through 1e for other information that must be attached.

Election for Certain Leased 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. Lessors and lessees should see section 48(d) (as in effect on November 4, 1990) and related regulations for rules on making this election. For limitations, see sections 46(e)(3) and 48(d) (as in effect on November 4, 1990).

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 other than a creditor interest in the business activity. The cost or basis must be reduced by the amount of this Òonqualified nonrecourseÓfinancing 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(a)(5) 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.

Exceptions to recapture. Recapture of the investment credit does not apply to any of the following.

A transfer due to the death of the taxpayer.

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.

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

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

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

2. 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.

Note: See section 46(g)(4) (as in effect on November 4, 1990) 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

S Corporations, Partnerships (Other Than Electing Large Partnerships), Estates, and Trusts

To figure the cost or basis of property to pass through to the individual shareholders, partners, or beneficiaries, complete only the following.

The information requested on lines 1b, 1c, and 1d (or the attached statement for line 5).

The basis of energy property on line 2.

The amortizable basis of qualified timber property on line 3.

The qualified investment for transitional regular investment credit property on the attached statement for line 5.

Attach the form (with applicable lines of Part I completed) to the S corporation, partnership, estate, or trust income tax return to show the total cost or basis (or unused credit from a cooperative) that is passed through.

Regulated Investment Companies and Real Estate Investment Trusts

For regulated investment companies and real estate investment trusts, the following amounts are limited to a percentage of the amounts otherwise determined.

The qualified rehabilitation expenditures on lines 1b and 1c (or the attached statement for line 5).

The basis of energy property on line 2.

The amortizable basis of qualified timber property on line 3.

The qualified investment for transitional regular investment credit property on the attached statement for line 5.

The $25,000 amount used to figure the tax limitation on line 12.

Figure this percentage by dividing taxable income for the year by taxable income figured without regard to the deduction for dividends paid. For details, see Regulations section 1.46-4(b).

Part I—Current Year Credit

Lines 1a through 1e—Rehabilitation Credit

You are allowed a credit for qualified rehabilitation expenditures made for any qualified rehabilitated building. The credit is 10% of the expenditures for any qualified rehabilitated building other than a certified historic structure and 20% of the expenditures for a certified historic structure. You must reduce your depreciable basis by the amount of the credit.

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

1. The building was originally placed in service before 1936 or 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 10-168, Historic Preservation Certification Application.

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 Ò60-month periodÓ for Ò24-month period.Ó

3. 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.

4. 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.

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 structureÑ see Regulations section 1.48-1(h)), or (c) real property that has a class life of more than 12½ 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)).

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 1a.

If you are claiming a credit for a certified historic structure on line 1c, enter the assigned NPS project number on line 1c(1). If the qualified rehabilitation expenditures are from an S corporation, partnership, estate, or trust, enter the employer identification number of the pass-through entity instead of the assigned NPS project number.

Enter the date of the final certification of completed work received from the Secretary of the Interior on line 1c(2). 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 2Ñ Description of Rehabilitation), with proof that it was received by the Department of the Interior or the State Historic Preservation Officer, together with evidence 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 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.

Line 2—Energy Credit

Enter the basis of energy property placed in service during the tax year. Energy property is:

1. Equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat or

2. Equipment used 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.

To qualify, the property must be constructed, reconstructed, or erected by the taxpayer. If acquired by the taxpayer, the original use of such property must begin with the taxpayer. The property must 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. Energy property does not include any property that is public utility property as defined by section 46(f)(5) (as in effect on November 4, 1990).

If energy 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 (i.e., 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.

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

Line 3—Reforestation Credit

Enter the portion of the amortizable basis of any qualified timber property that was acquired during the tax year and is taken into account under section 194. Only direct costs for planting and seeding can be amortized. These include costs for site preparation, seed, seedlings, labor, tools, and depreciation on equipment such as tractors, trucks, and tree planters used in planting or seeding. Depreciation is a direct cost only for the period of time the equipment is used in these activities.

You cannot claim more than $10,000 (or $5,000 if married filing separately) of amortizable basis acquired during the tax year. For details, see Regulations sections 1.194-2 and 1.48-1(p).

You must reduce the amortizable basis by 50% of the reforestation credit determined.

Line 4—Credit From Cooperatives

Section 1381(a) cooperative organizations may claim the investment credit. If the cooperative cannot use any of the credit because of the tax liability limit, the unused credit must be allocated to the patrons of the cooperative. The recapture provisions of section 50 apply as if the cooperative had kept the credit and not allocated it. Patrons should enter their unused investment credit from cooperatives.

Part II—Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit unless you must file Form 3800, General Business Credit.

Who must file Form 3800. You must file Form 3800 if you have:

An investment credit from a passive activity,

More than one credit included in the general business credit (other than a credit from Form 8844 or 8884), or

A carryback or carryforward of any of those credits.

See the instructions for Form 3800 for credits included in the general business credit.

C corporations that are required to file Form 4626, Alternative Minimum TaxÑ Corporations, may also use Schedule A of Form 3800 to determine if they are entitled to an additional general business credit for any regular investment credit carryforward to 2002 for property placed in service before January 1, 1991, under section 38(c)(2) (as in effect on November 4, 1990).

Line 6—Regular Tax

Enter the regular tax before credits from the appropriate form or schedule.

Individuals: Form 1040, line 42.

Corporations: Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your tax return.

Estates and trusts: The sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your tax return.

Line 7—Alternative Minimum Tax

Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

Individuals: Form 6251, line 35.

Corporations: Form 4626, line 15.

Estates and trusts: Form 1041, Schedule I, line 56.

Line 12

If a husband and wife file separate returns, each must use $12,500 instead of $25,000. But if one of them has no general business credits (and no carryforwards or carrybacks to the current year), then the other may use the entire $25,000.

A member of a controlled group must use only its apportioned share of the $25,000.

A regulated investment company or a real estate investment trust should see Regulated Investment Companies and Real Estate Investment Trusts on page 3.

For estates and trusts, the $25,000 amount is reduced by the same proportionate share of income that was allocated to the beneficiaries.

Line 13—Tentative Minimum Tax

Although you may not owe AMT, you generally must still compute the tentative minimum tax (TMT) to figure your credit.

For a small corporation exempt from the AMT under section 55(e), enter zero. Otherwise, complete and attach the applicable AMT form or schedule. Enter on line 13 the TMT from the line shown below.

Individuals: Form 6251, line 33.

Corporations: Form 4626, line 13.

Estates and trusts: Form 1041, Schedule I, line 54.

Line 16—Current year credit

If you cannot use all of the credit because of the tax liability limit (line 15 is smaller than line 5), carry the unused credit back 1 year and then forward up to 20 years. See the instructions for Form 3800 for details.

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 average time is: Recordkeeping, 12 hr., 54 min.; Learning about the law or the form, 3 hr., 34 min.; Preparing and sending the form to the IRS, 3 hr., 57 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.