Form **3468**

Department of the Treasury
Internal Revenue Service

Computation of Job Development Investment Credit

▶ Attach to your tax return.

Use this form for—Calendar year 1971,
Fiscal years beginning in 1970 and ending in 1971, and
Fiscal years beginning in 1971 and ending in 1972.

1971

The investment credit has been restored for property ordered by the taxpayer after March 31, 1971, or acquired by the taxpayer after August 15, 1971, regardless of when ordered.

The credit has also been restored for property where construction, reconstruction, or erection was begun by the taxpayer after March 31, 1971, or where the construction, reconstruction, or erection was completed by the taxpayer after August 15, 1971, regardless of when begun. In the case of property (except pre-termination property) where construction, reconstruction, or erection is begun by the taxpayer before April 1, 1971, only that portion of the basis attributable to construction, reconstruction, or erection after August 15, 1971, is taken into account in determining the credit.

For pre-termination property eligible for credit under prior law, see the instructions for the different life years.

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)	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% (4% for public utility property) of line 2 . . . .

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 19, 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 7, Schedule J, 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, controlled corporate 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 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	Life years
		$	$	

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.

Small business corporations and partnerships 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.

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. The estate and trust that apportions 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. The statement attached 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 such 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 United States; (2) certain property completed outside the United States or predominantly of foreign origin; (3) 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; (4) property used by a tax-exempt organization (except where the unrelated business income tax applies); (5) property used by governmental units; and (6) 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 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 that would have been allowed had the actual life been used. 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 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.

Special rules for carryovers of pre-1971 unused credits.—

Pre-1971 unused credits which can be carried over to calendar year 1971 or later years may be carried forward for a total of 10 years. Similarly, pre-1971 unused credits, which are not absorbed because of the special 20% limitation (see instruction for line 4) on the amount of unused credit carryover to years beginning after 12/31/68 and before 1/1/71 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 on Form 843 or by filing 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 same useful life must be used for depreciation as well as for investment credit.

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 or small business corporation that 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.

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.

Pre-termination property is eligible for credit. Unless the property is described in section 50 of the code, the old useful life categories must be used in computing the credit. Such property will be placed in the related categories as follows: the pre-termination property with a life class of 4 to 6 years will be included in the 3 to 5 year category; 6 to 8 years will be included in the 5 to 7 year category; and 8 or more will be included in the 7 or more category.

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 3.—Public utility property not described in section 50 of the code should use 3% instead of 4%.

Line 4. Limitation on carryovers for taxable years ending before 1/1/72.—The amount of unused credits that may be carried over and claimed as a credit in the taxable year is subject to a special limitation. This limitation provides that 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.

The special 20% limitation referred to above is in addition to the general limitation based on the amount of tax liability. Unused credit carryovers to a taxable year from 2 or more other years are to be used up in the order in which they occur.

TAXABLE YEARS ENDING AFTER 8/15/71 AND BEFORE 1/1/72

The 20% limitation contained in the preceding paragraphs is increased 6 percentage points for each month (or portion thereof) in the taxable year after 8/15/71. For example, a year ending 12/31/71 would use 50%. The 20% limitation plus 30% (5 months × 6 percentage points for each month).

Priority of application of unused credits—

Calendar year 1971.—The limitation ($25,000 plus 50% of tax liability) on the amount of credit which may be claimed is first absorbed by carryovers of pre-1971 unused credits, and then to the extent of any remaining limitation not absorbed by pre-1971 unused credits, the credit generated in 1971.

Years ending before calendar year 1971 (fiscal years ending in 1971).—The limitation is first absorbed by credits generated in the current credit year and then by unused credit carryovers from other years.

Years ending after 1971 (fiscal years ending in 1972).—The limitation is first absorbed by carryovers of pre-1971 unused credits, then by credits generated in the current year, and then by the unused credits from fiscal years ending in 1971.

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.

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.