

Name(s) as shown on return

Identifying number

**Part I Elections (Check the box(es) below that apply to you (See Instruction D).)**

- A** I elect to increase my qualified investment by all qualified progress expenditures (QPE) made this and all later tax years   
Enter total qualified progress expenditures included in column (4), Part II ▶
- B** I claim full credit on certain ships under section 46(g)(3) (See Instruction B for details)

**Part II Qualified Investment (Certain Transition Property, QPE Property, and Qualified Timber Property)**

1 Recovery Property		Line	(1) Class of Property	(2) Cost or Other Basis	(3) Applicable Percentage	(4) Qualified Investment (Column 2 x column 3)
Regular Percentage	New Property	(a)	3-year		60	
		(b)	Other		100	
	Used Property	(c)	3-year		60	
		(d)	Other		100	
Section 48(q) Election to Reduce Credit (instead of adjusting basis) (partner, etc., of 1985-86 flow-through entity only)	New Property	(e)	3-year		40	
		(f)	Other		80	
	Used Property	(g)	3-year		40	
		(h)	Other		80	
<b>2</b> Nonrecovery property—Enter total qualified investment (See instructions for line 2)						<b>2</b>
<b>3</b> Total qualified investment in 10% property—Add lines 1(a) through 1(h), and 2 (See instructions for special limits)						<b>3</b>
<b>4</b> Regular credit—Multiply line 3 by 10% (.10) (FY 1986-87 filers, see instructions for line 4)						<b>4</b>
<b>5</b> Qualified rehabilitation expenditures (enter qualified investment and multiply by percentage shown):						
<b>a Rehabilitation Property placed in service before 1-1-87:</b>						
(i) 30-year-old buildings . . . . . x 15%					<b>5a(i)</b>	
(ii) 40-year-old buildings . . . . . x 20%					<b>5a(ii)</b>	
(iii) Certified historic structures (attach NPS certificate) . . . . . x 25%					<b>5a(iii)</b>	
<i>Fiscal-year 1986-87 filers only:</i>						
<b>b Transition Property and Certain Projects placed in service after 12-31-86:</b>						
(i) 30-year-old buildings . . . . . x 10%					<b>5b(i)</b>	
(ii) 40-year-old buildings . . . . . x 13%					<b>5b(ii)</b>	
(iii) Certified historic structures (attach NPS certificate) . . . . . x 25%					<b>5b(iii)</b>	
<b>c Rehabilitation Property (not shown above) placed in service after 12-31-86:</b>						
(i) Pre-1936 buildings . . . . . x 10%					<b>5c(i)</b>	
(ii) Certified historic structures (attach NPS certificate) . . . . . x 20%					<b>5c(ii)</b>	
<b>6</b> Credit from cooperatives—Enter regular investment credit from cooperatives						<b>6</b>
<b>7</b> Business energy investment credit—From line 7 of Schedule B (see back of this form)						<b>7</b>
<b>8</b> Current year investment credit—Add line 4 through line 7.						<b>8</b>

**Note:** If you have a 1986 jobs credit (Form 5884), credit for alcohol used as fuel (Form 6478), research credit (Form 6765), low-income housing credit (Form 8586), or employee stock ownership plan (ESOP) credit (Form 8007) in addition to your 1986 investment credit, or if you have a carryback or carryforward of any general business credit, stop here and go to Form 3800, General Business Credit, to claim your 1986 investment credit. If you have only a 1986 investment credit (which may include business energy investment credit), you may continue with lines 9 through 14 to claim your credit.

**Part III Tax Liability Limitations**

<b>9a</b> Individuals—From Form 1040, enter amount from line 45	}	<b>9</b>
<b>b</b> Corporations—From Form 1120, Schedule J, enter tax from line 3 (or Form 1120-A, Part I, line 1)		
<b>c</b> Other filers—Enter income tax before credits from return.		
<b>10a</b> Individuals—From Form 1040, enter credit from line 46, plus any orphan drug and nonconventional source fuel credits included on line 48	}	<b>10</b>
<b>b</b> Corporations—From Form 1120, Schedule J, enter credits from lines 4(a) through 4(d) (Form 1120-A filers, enter zero)		
<b>c</b> Other filers—See instructions for line 10c		
<b>11</b> Income tax liability as adjusted (subtract line 10 from line 9)		<b>11</b>
<b>12a</b> Enter smaller of line 11 or \$25,000 (See instructions for line 12)		<b>12a</b>
<b>b</b> If line 11 is more than \$25,000—Enter 75% of the excess		<b>12b</b>
<b>13</b> Investment credit limitation—Add lines 12a and 12b		<b>13</b>
<b>14</b> Total allowed credit—Enter the smaller of line 8 or line 13—This is your General Business Credit for 1986. Enter here and on Form 1040, line 47; Form 1120, Schedule J, line 4(e); Form 1120-A, Part I, line 2; or the proper line of other returns		<b>14</b>

**Schedule B.—Business Energy Investment Credit**

1 Enter on lines 1(a) through 1(e) your qualified investment in business energy property.						
Type of Property	Line	(1) Class of Property or Life Years	(2) Code	(3) Basis	(4) Applicable Percentage	(5) Qualified Investment (Column 3 x column 4)
Recovery	(a)	3-year			60	
	(b)	Other			100	
Nonrecovery	(c)	3 or more but less than 5			33 1/3	
	(d)	5 or more but less than 7			66 2/3	
	(e)	7 or more			100	
2 Total qualified investment—Add lines 1(a) through 1(e), column (5).						2
3 1986 credit (15% times the portion of the line 2 amount attributable to energy property placed in service by 12-31-86)						3
4 1986-87 fiscal year filers—Multiply the portion of the line 2 amount attributable to property placed in service after 12-31-86 by the following percentages:						
a Solar energy property (12%)						4a
b Biomass and geothermal property (10%)						4b
c Ocean thermal property (15%)						4c
5 Certain other property (See instructions below for special limits):						
a Certain long-term section 46(b)(2)(A)(i) projects underway by 12-31-82 (10%)						5a
b Hydroelectric generating property placed in service during the year (if docketed with the Federal Energy Regulatory Commission by 12-31-85) (11%)						5b
6 Cooperative credit—Enter business energy investment credit from cooperatives						6
7 Tentative business energy investment credit—Add lines 3 through 6. Enter here and on line 7 of page 1						7

**Instructions for Schedule B (Form 3468)**

**Note:** *Partners, shareholders, and beneficiaries of FY 1985-86 partnerships, S corporations, estates and trusts that placed property in service before January 1, 1986, see the separate Instructions for Form 3468, under Specific Instructions.*

Energy property must meet the same requirements as regular investment credit property, except that the provisions of sections 48(a)(1) and 48(a)(3) do not apply. See the separate Instructions for Form 3468 for definitions and rules regarding regular investment credit property.

Energy property must be acquired new. See sections 46(b)(2) and 48(l)(1) through (17) for details.

See section 48(l)(17) for special rules on public utility property, and section 48(l)(11) (as amended by the Crude Oil Windfall Profit Tax Act of 1980) for special rules on property financed by Industrial Development Bonds.

**Specific Instructions**

**One Credit Only.**—If property qualifies as more than one kind of energy property, you may take only one credit for the property.

**Line 1—Type of Property.**—For definition of recovery and nonrecovery property, see the separate Instructions for Form 3468.

**Line 1—Column (2).**—Use the code letters from the following list to indicate the kind of property for which you are claiming a credit. If you enter more than one kind of property on a line, enter the code letter for each kind of property in column (2) and the code letter and dollar amount of each kind of property in the right hand margin.

The code letters are:

- a. Biomass property
- b. Hydroelectric generating property
- c. Solar equipment (but not passive solar equipment)
- d. Ocean thermal equipment
- e. Geothermal equipment

See sections 48(l)(4) and 48(l)(3)(A)(viii) and (ix) for definitions and special rules that apply to these kinds of property.

**Line 5.**—The section 48(q)(4) election to take a reduced credit instead of adjusting the basis of the energy property on line 5 is not available for property placed in service after December 31, 1985, and you must reduce the basis by the full amount of the credit claimed.

If the installed capacity of hydroelectric generating property is more than 25 megawatts, the 11% energy credit is allowed for only part of the qualified investment. See section 48(l)(13)(C).

On the dotted line for line 5b, enter the megawatt capacity of the generator as shown on the nameplate of the generator.

If you are a 1986-87 fiscal-year filer with a tax year beginning before and ending after July 1, 1987 (for a normal 12-month tax year, this would be only years beginning after July 31, 1986), the energy credit(s) on lines 5a and 5b must be reduced by a percentage figured from the following formula:

$$35\% \times \frac{\text{number of months in your tax year after June 1987}}{\text{total number of months in your tax year}}$$

Enter the reduced credit on lines 5a and 5b. Although the reduction may not be used in the current year or carried back to a prior year, it may be carried forward to your next tax year.