

# Recapture of Investment Credit

(Including Energy Investment Credit)

▶ Attach to your income tax return

For the calendar year 19....., or other tax year beginning ....., 19....., and ending ....., 19.....

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

For disposed qualified progress expenditure property, see instructions for line 17.

Properties	Kind of property. (State whether new or used. If energy property, give type.)
<b>A</b>	
<b>B</b>	
<b>C</b>	
<b>D</b>	
<b>E</b>	

	Properties				
	A	B	C	D	E
<b>Original Investment Credit</b>	<b>Computation Steps:</b>				
	1 Original rate of credit . . . . .				
	2 Date property was placed in service . . . . .				
	3 Cost or other basis . . . . .				
	4 Original estimated useful life . . . . .				
	5 Applicable percentage . . . . .				
	6 Original qualified investment (line 3 times line 5) . . . . .				
7 Original credit (line 1 times line 6) . . . . .					
<b>Refigured Investment Credit</b>	8 Date item ceased to be investment credit property . . . . .				
	9 Period actually used . . . . .				
	10 Applicable percentage . . . . .				
	11 Qualified investment (line 3 times line 10) . . . . .				
	12 Refigured credit (line 1 times line 11) . . . . .				
13 Tentative recapture (subtract line 12 from line 7) . . . . .					
<b>Increase in Tax</b>	14 Add line 13, columns A through E . . . . .				
	15 Unused credit (see instructions) . . . . .				
	16 Increase in tax (subtract line 15 from line 14) . . . . .				
	17 Enter tax from disposed qualified progress expenditure property (attach computation) . . . . .				
18 Total increase in tax (add lines 16 and 17). Enter here and on the proper line of your tax return. Do not use this amount to reduce current year's investment credit figured on Form 3468, Computation of Investment Credit. Any unused credit on line 15 cannot be used in any year as a carryback or carryover . . . . .					

# General Instructions

References are to the Internal Revenue Code.

**Purpose.**—An individual, estate, trust or corporation may use Form 4255 to figure the increase in tax for the recapture of investment credit for regular and energy property. You must refigure the credit if you took it in an earlier year, but later disposed of the property before the end of the useful life you used to figure the original credit. You must also refigure the credit if you changed the use of the property so that it no longer qualified as regular or energy investment credit property. You need not refigure the credit if you held the property 7 or more years. For more information on the recapture of regular or energy investment credit, see **Publication 572, Investment Credit**.

If property on which you took both the regular and energy investment credit ceases to be energy credit property, but still qualifies as regular investment credit property, you need only refigure the energy investment credit. However, if you took both credits, and you dispose of the property, or the property ceases to be both energy and regular investment credit property, you must refigure both credits.

If you are a small business corporation, a partnership, or an estate or trust that shared the investment credit among the estate or trust and the beneficiaries, you must give your shareholders, partners, or beneficiaries the information they need to refigure the credit. See regulations sections 1.47-4, 1.47-5 and 1.47-6.

**Special rules.**—If you took the credit on the following kinds of property, see the Internal Revenue Code section listed before you complete Form 4255.

Property	IRC section
Motion picture films and video tape . . . . .	47(a)(7)
Ships . . . . .	46(g)(4)
Commuter highway vehicles . . . . .	47(a)(4)

If you dispose of property and you had elected the basic or basic and matching employee plan percentage for contributions to tax credit employee stock option plans, see section 48(n)(4).

If you took an investment credit on railroad property, and then transferred the property to Conrail after March 31, 1976, you do not have to refigure the credit.

If you took any credit for production of fuel from non-conventional sources, see section 44D(b)(4).

## Specific Instructions

**Lines A through E.**—Describe the property for which you must refigure the credit for regular or energy investment. Tell whether the property was new or used, and give the type of energy property.

Fill in lines 1 through 13 for each property on which you are refiguring the credit. Use a separate column for each item. If you must recapture both the energy investment credit and the regular investment credit for the same item, use a separate column for each credit. If you need more columns, use additional Forms 4255, or other schedule with all the information shown on Form 4255. Enter the total from the separate sheets on line 14.

**Line 1.**—Enter the rate you used to figure the original credit (see section 46(a)(2)):

**Regular Investment Property:**

Public utility property ordered after March 31, 1971, or acquired after August 15, 1971, and before January 22, 1975 . . . . .	4%
Property acquired or constructed before January 22, 1975 . . . . .	7%
Property (including public utility property) acquired or constructed and placed in service after January 21, 1975 . . . . .	10%

*(The part constructed before January 22, 1975, is at the 7% (or 4%) rate, even if placed in service after that date.)*

**Energy Investment Property:**

Alternative energy property, specially defined energy property, recycling equipment, shale oil equipment, equipment for producing natural gas from geopressured brine, cogeneration equipment, and intercity buses . . . . .	10%
Qualified hydroelectric generating equipment . . . . .	11%
Solar and wind equipment acquired or constructed before 1/1/80 . . . . .	10%
Solar and wind equipment, ocean thermal equipment, and geothermal equipment acquired or constructed after 12/31/79 . . . . .	15%

**Line 2.**—Enter the first day of the first month and the year that the property was available for service.

**Line 3.**—Enter the cost or other basis of the property that you used to figure the original credit.

**Line 4.**—Enter the estimated useful life of the property that you used to figure the original credit.

**Line 5.**—Enter the percentage of the cost or other basis that you used to figure the original qualified investment.

Original estimated useful life:	Applicable percentage
3 or more but less than 5 years . . . . .	33 $\frac{1}{3}$ %
5 or more but less than 7 years . . . . .	66 $\frac{2}{3}$ %
7 or more years . . . . .	100%

**Line 6.**—Multiply line 3 by line 5 to get the original qualified investment.

**Line 7.**—Multiply line 6 by the rate on line 1 to get the original investment credit.

**Line 8.**—Enter the date the property ceased to be qualified property. See regulation section 1.47-1(c) for more information.

**Line 9.**—Enter the number of years you actually used the property as regular or energy investment property.

**Line 10.**—Enter the percentage of the cost or basis you will use to refigure the qualified investment:

Actual Useful Life:	Percentage
Less than 3 years . . . . .	0%
3 or more but less than 5 years . . . . .	33 $\frac{1}{3}$ %
5 or more but less than 7 years . . . . .	66 $\frac{2}{3}$ %

**Line 11.**—Multiply line 3 by the percentage on line 10 to get the refigured qualified investment.

**Line 12.**—Multiply line 11 by the rate on line 1 to get the refigured investment credit.

**Line 13.**—Subtract the credit on line 12 from the original credit on line 7. This is the maximum credit to be recaptured.

**Line 14.**—Add line 13, columns A through E. If you have more than one Form 4255, or have used separate sheets to list additional items on which you figured an increase in tax, write on the dotted line "Tax from attached, \$.....". Include the amount in the total for line 14.

**Line 15.**—If you did not use all the credit you originally figured, either in the year you figured the credit or in a carry-back or carryover year, you have an unused credit. You must also take into account the current year's unused credit in figuring the increase in tax. See regulations section 1.47-1(d), Revenue Ruling 72-221, and **Publication 572** for more information.

Figure the unused credit on a separate sheet and enter the total unused credit on this line. Do not enter more than the tentative recapture on line 14.

**Line 17.**—See section 47(a)(3) for information on recapturing investment credit on the disposal of qualified progress expenditure property. Attach a separate computation and enter the total increase in tax on this line.

**Line 18.**—Add lines 16 and 17. This is the total increase in tax. Enter it on the proper line of your tax return. Do not use this amount to reduce your current year's investment credit from Form 3468, Computation of Investment Credit.

## Examples

**(1) All of the credit is recaptured.**—On January 1, 1978, D put in use \$9,000 of qualified property with a useful life of 8 years. D took a credit of \$900 (\$9,000 × 100% × 10% investment credit). All of the credit was used in 1978 to reduce D's tax liability. D has no unused investment credit for the current year. On November 1, 1980, D sold the property. Because D held the property less than 3 years, no investment credit is allowable. Therefore, D must add all of the \$900 to his tax for 1980. This is the difference between the \$900 credit D took in 1978 and the \$0 credit allowable.

**(2) Part of the credit is recaptured.**—Assume the same facts as (1) above, except that D put the property into use in September, 1977. D would add \$600 to his tax for 1980, figured as follows:

Original Investment Credit	
Line:	
1 Rate . . . . .	10%
3 Cost or other basis . . . . .	\$9,000
4 Estimated life . . . . .	8 years
5 Applicable percentage . . . . .	100%
6 Qualified investment . . . . .	\$9,000
7 Original credit . . . . .	\$900

Refigured Investment Credit	
9 Period actually used . . . . .	3 years
10 Applicable percentage . . . . .	33 $\frac{1}{3}$ %
11 Qualified investment . . . . .	\$3,000
12 Refigured credit . . . . .	\$300
Increase in Tax	
13 Tentative recapture . . . . .	\$600
(\$900-\$300)	
15 Unused credit . . . . .	\$0
16 Increase in tax . . . . .	\$600

**(3) Unused credit.**—Assume the same facts as in (2) above, except that D only used \$200 of the credit in 1977, \$300 in 1978, and zero in 1979. This leaves \$400 of unused credit (\$900 original credit, minus \$200 in 1977 and \$300 in 1978). D would add only \$200 to his tax for 1980, figured as follows:

Increase in Tax	
13 Tentative recapture . . . . .	\$600
15 Unused credit . . . . .	\$400
16 Increase in tax . . . . .	\$200

D would no longer have an investment credit carryover, since it was all used to reduce the credit to be recaptured.