

# Recapture of Investment Credit

## (Including Energy Investment Credit)

▶ **Attach to your income tax return**

▶ Attach separate schedules for recapture of investment credit from disposed qualified progress expenditure property and property ceasing to be at risk (see instructions for lines 13a and 13b).

|      |  |
|------|--|
| Name | Identifying number as shown on page 1 of your tax return |
|------|--|

| Properties | Kind of property (State whether recovery or nonrecovery. If energy property, show type of property. Indicate if rehabilitation expenditure property.) |
|------------|---|
| <b>A</b>   |   |
| <b>B</b>   |   |
| <b>C</b>   |   |
| <b>D</b>   |   |
| <b>E</b>   |   |

|  | Properties |   |   |   |   |
|--|------------|---|---|---|---|
|  | A          | B | C | D | E |
| <b>Computation Steps:</b>  |            |   |   |   |   |
| <b>1</b> Original rate of credit . . . . .   |            |   |   |   |   |
| <b>2</b> Date property was placed in service . . . . .   |            |   |   |   |   |
| <b>3</b> Cost or other basis . . . . .   |            |   |   |   |   |
| <b>4</b> Original estimated useful life or class of property (see instructions) . . . . .  |            |   |   |   |   |
| <b>5</b> Applicable percentage . . . . .   |            |   |   |   |   |
| <b>6</b> Original qualified investment (line 3 times line 5) . . . . .   |            |   |   |   |   |
| <b>7</b> Original credit (line 1 times line 6) . . . . .   |            |   |   |   |   |
| <b>8</b> Date property ceased to be investment credit property (see instructions) . . . . .  |            |   |   |   |   |
| <b>9</b> Number of full years between the date on line 2 and the date on line 8 . . . . .  |            |   |   |   |   |
| <b>10</b> Recapture percentage (see instructions) . . . . .  |            |   |   |   |   |
| <b>11</b> Tentative recapture tax—Line 7 times line 10 . . . . .   |            |   |   |   |   |
| <b>12</b> Add line 11, columns A through E . . . . .   |            |   |   |   |   |
| <b>13 a</b> Enter tax from disposed qualified progress expenditure property (attach separate computation) . . . . .  |            |   |   |   |   |
| <b>b</b> Enter tax from any part of property ceasing to be at risk (attach separate computation) . . . . .   |            |   |   |   |   |
| <b>14</b> Total—Add lines 12, 13a and 13b . . . . .  |            |   |   |   |   |
| <b>15</b> Unused credit—Do not enter more than line 14 (see instructions) . . . . .  |            |   |   |   |   |
| <b>16</b> Total increase in tax—Subtract line 15 from line 14. 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.

**Paperwork Reduction Act Notice.**—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. 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 required to give us this information.

**Purpose.**—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 recapture period for recovery property or of the useful life you used to figure the original credit for nonrecovery property. 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. Also, see instructions for line 13b regarding recapture if property ceases to be at risk. For more information, 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 subchapter S 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 sections listed below before you complete Form 4255:

| Property                                  | IRC section |
|---|-------------|
| Motion picture films and video tape . . . | 47(a)(8)    |
| 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 nonconventional sources, see section 44D(b)(4).

## Specific Instructions

**Note:** Do not figure the recapture tax for qualified progress expenditure property or for property ceasing to be at risk on lines 1 through 12. Figure the recapture tax for these properties on separate schedules and enter the recapture tax on lines 13a and 13b. Enter any unused credit for these properties on line 15.

**Lines A through E.**—Describe the property for which you must refigure the

credit for regular or energy investment credit. For energy property, show type or kind of property. Also, indicate if property is rehabilitation expenditure property.

Fill in lines 1 through 11 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 schedules with all the information shown on Form 4255. Enter the total from the separate sheets on line 12.

**Line 1.**—Enter the rate you used to figure the original credit as determined from the table below:

### 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.)

See section 46(a)(2)(F) for the allowed percentage rates for qualified rehabilitation expenditures made after December 31, 1981.

### 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.**—For nonrecovery property, enter the first day of the first month and the year that the property was available for service. For recovery property, enter the date the property was placed in service.

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

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

**Line 5.**—Enter the applicable percentage that you used to figure the original qualified investment from the tables below:

### Nonrecovery Property

| Original estimated useful life:           | Applicable percentage |
|---|-----------------------|
| 3 or more but less than 5 years . . . . . | 33 1/3%               |
| 5 or more but less than 7 years . . . . . | 66 2/3%               |
| 7 or more years . . . . .                 | 100%                  |

### Recovery Property

| Class of property | Applicable percentage |
|-------------------|-----------------------|
| 3-year . . . . .  | 60%                   |
| Other . . . . .   | 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 regulations section 1.47-1(c) for more information.

**Line 9.**—Enter the number of full years between the date on line 2 and the date on line 8. Do not enter partial years. If property was held less than 12 months, enter zero.

**Line 10.**—Enter the recapture percentage from the following tables.

### Nonrecovery Property

| If number of full years on line 9 of Form 4255 is: | The recapture percentage for property with an original useful life of: |                                    |                    |
|--|--|------------------------------------|--------------------|
|  | 3 or more but less than 5 years is                                     | 5 or more but less than 7 years is | 7 or more years is |
| 0  | 100  | 100                                | 100                |
| 1  | 100  | 100                                | 100                |
| 2  | 100  | 100                                | 100                |
| 3  | 0  | 50                                 | 66.6               |
| 4  | 0  | 50                                 | 66.6               |
| 5  | 0  | 0                                  | 33.3               |
| 6  | 0  | 0                                  | 33.3               |

### Recovery Property

| If number of full years on line 9 of Form 4255 is: | The recapture percentage for: |                                 |
|--|-------------------------------|---------------------------------|
|  | 3-year property is            | 15-year, and 5-year property is |
| 0  | 100                           | 100                             |
| 1  | 66                            | 80                              |
| 2  | 33                            | 60                              |
| 3  | 0                             | 40                              |
| 4  | 0                             | 20                              |

**Line 12.**—Add line 11, columns A through E. If you have used more than one Form 4255, or 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 12.

**Line 13a.**—See section 47(a)(3) for information on recapturing investment credit on the disposal of qualified progress expenditure property. Attach a separate computation schedule and enter the recapture tax on line 13a.

**Line 13b.**—For certain taxpayers, the basis or cost of property placed in service after February 18, 1981, is limited to the amount the taxpayer is at risk for the property at year end. If property ceases to be at risk in a later year, recapture may be required. See section 47(d) for details. Attach a separate computation schedule to figure the recapture tax and enter the total tax on line 13b.

**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 recapture tax on line 14.

**Line 16.**—Subtract line 15 from line 14. 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.