

# Recapture of Investment Credit

(Including Energy Investment Credit)

▶ Attach to your income tax return

Name(s) as shown on return	Identifying number
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Properties	Kind of property—State whether recovery or nonrecovery (see Form 3468 instructions for definitions). If energy property, show type. Also 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> (see Specific Instructions)					
<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 . . . . .					
<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 qualified investment credit property . . . . .					
<b>9</b> Number of full years between the date on line 2 and the date on line 8 . . . . .					
<b>Computation of Recapture Tax</b>					
<b>10</b> Recapture percentage . . . . .					
<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> Portion of original credit (line 7) not used to offset tax in any year (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.**—We ask for this 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 disposed of the property before the end of the recapture period, or 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 qualifies as regular or energy investment credit property. Also, see instructions for line 13b regarding recapture if property ceases to be at risk.

For tax years beginning after December 31, 1982, election of subchapter S status does not automatically trigger recapture of investment credit taken before the election was effective. However, on disposition of the assets, the subchapter S corporation continues to be liable for any recapture of investment credit taken before the election.

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 allocated any or all of the investment credit to 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 44(n)(4).

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

If, before the end of the recapture period, you dispose of recovery property placed in service after 1982, you must increase the basis of this property by 50% of the recapture amount before computing gain or loss on disposition. See section 48(q)(2) and (3). (This does not apply if you originally made the section 48(q)(4) election to take a reduced credit instead of reducing the basis of the property.)

For more information, see **Publication 572, Investment Credit.**

# 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. Include any unused credit for these properties on line 15.

**Lines A through E.**—Describe the property for which you must refigure the regular or energy investment credit.

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 tables below:

### Regular Investment Property:

Property (including public utility property) acquired or constructed and placed in service after January 21, 1975 . . . . . 10%

For property acquired or constructed before January 22, 1975, enter the rate used on your original Form 3468 (7% or 4%).

Be sure to include any basic and matching ESOP or other credits listed under the special rules above.

See section 46(a)(2)(F) for the 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 both recovery and nonrecovery property, 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 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 $\frac{1}{3}$ %
5 or more but less than 7 years . . . . .	66 $\frac{2}{3}$ %
7 or more years . . . . .	100%
Recovery Property	
Class of property	Applicable percentage
3-year . . . . .	60%
Other . . . . .	100%

# Section 48(q) Election Recovery Property

(Placed in service after 12/31/82)

Class of property	Applicable percentage
3-year . . . . .	40%
Other . . . . .	80%

**Line 8.**—See regulations section 1.47-1(c) for more information.

**Line 9.**—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, 10-year, and 5-year property is
0	100	100
1	66	80
2	33	60
3	0	40
4	0	20

**Line 12.**—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 do not have to recapture the amount of the credit you did not use. 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 portion on a separate sheet and enter it on this line. Do not enter more than the recapture tax on line 14.

**Line 16.**—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.