

Recapture of Investment Credit

(Including Energy Investment Credit)

▶ Attach to your income tax return.

Name(s) as shown on return	Identifying number
----------------------------	--------------------

Properties	Kind of property—State whether recovery or nonrecovery (see the Instructions for Form 3468 for definitions). If energy property, show type. Also indicate if rehabilitation expenditure property.
A	
B	
C	
D	
E	

	Properties				
	A	B	C	D	E
Computation Steps: (see Specific Instructions)					
1 Original rate of credit					
2 Date property was placed in service					
3 Cost or other basis					
4 Original estimated useful life or class of property					
5 Applicable percentage					
6 Original qualified investment (line 3 times line 5)					
7 Original credit (line 1 times line 6)					
8 Date property ceased to be qualified investment credit property					
9 Number of full years between the date on line 2 and the date on line 8					
10 Recapture percentage (from instructions)					
11 Tentative recapture tax (line 7 times line 10)					
12 Add line 11, columns A through E					
13 Enter tax from property ceasing to be at risk, or for which there was an increase in nonqualified nonrecourse financing (attach separate computation)					
14 Total—Add lines 12 and 13					
15 Portion of original credit (line 7) not used to offset tax in any year, plus any carryback and carryforward of credits you can now apply to the original credit year because you have freed up tax liability in the amount of the tax recaptured (Do not enter more than line 14—see instructions)					
16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return.					

General Instructions

(Section references are to the Internal Revenue Code, unless otherwise noted.)

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 taxpayers 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 of Form.—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. For example, you

must refigure the credit if you change the use of property from business use to personal use, or if there is any decrease in the percentage of business use of investment credit property. See sections 47(a)(3) and 47(a)(5)(C) for information on recapture for progress expenditure property. Also, see the instructions for line 13 regarding recapture if property ceases to be at risk, or if there is an increase in nonqualified, nonrecourse financing related to certain at-risk property placed in service after July 18, 1984.

If certain "listed property" (i.e., transportation property, entertainment, recreation or amusement property, or certain home computer equipment) placed in service after June 18, 1984, ceases to be used predominantly for business, you may have to recapture investment credit taken on the property. See section 280F for details.

An election to be treated as an S corporation does not automatically trigger recapture of investment credit taken before the election was effective. However, the S corporation is liable for any recapture of investment credit taken before the election.

If property on which you took both 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 an 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.

Partners, shareholders and beneficiaries.—If your Schedule K-1 shows that you must recapture investment credit taken in an earlier year, you will need your retained copy of the original Form 3468 to complete lines 1 through 9 of this Form 4255.

Special Rules.—If you took a credit on the following kinds of property, see the sections listed below before you complete Form 4255:

Property	Section
Motion picture films and video tapes	47(a)(8)
Ships	46(g)(4)
Commuter highway vehicles	47(a)(4)

If you took any nonconventional source fuel credit, see section 29(b)(4).

If, before the end of the recapture period, you dispose of recovery property placed in service after 1982 (or the business use percentage decreases), increase the basis of this property by 50% of the recapture amount unless 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 on lines 1 through 12 for property ceasing to be at risk, or if there is an increase in nonqualified nonrecourse financing related to certain at-risk property placed in service after July 18, 1984. Figure the recapture tax for these properties on separate schedules and enter the recapture tax on line 13. Include any unused credit for these properties on line 15.

Lines A through E.—Describe the property for which you must refigure the 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 from the tables below:

Regular Investment Property

Qualifying property acquired or constructed and placed in service 10%

Be sure to include any ESOP credit, or other credits listed under the special rules above.

See section 46(b)(4) for the rates for qualified rehabilitation expenditures made after 1981.

Energy Investment Property

Alternative energy property, specially defined energy property, recycling equipment, shale oil equipment, equipment for producing natural gas from geopressed brine, cogeneration equipment, and intercity buses . . . 10%
 Qualified hydroelectric generating equipment . . . 11%
 Solar and wind equipment acquired or constructed before 1980 10%
 Solar and wind equipment, ocean thermal equipment, and geothermal equipment acquired or constructed after 1979 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 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	33⅓%
5 or more but less than 7 years	66⅔%
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.—Generally, this will be the date you disposed of the property. See regulations section 1.47-1(c) for more information.

Line 9.—Do not enter partial years. If the 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	Other than 3-year property is
0	100	100
1	66	80
2	33	60
3	0	40
4	0	20

Decrease in Business Use.—If you take investment credit for property and the percentage of business use in a later year falls below the percentage for the year placed in service, you are treated as having disposed of part of the property and may have to recapture part of the investment credit.

For example, if you are a calendar-year taxpayer who bought a \$12,000 automobile in August 1984 and used it 90% for business, your investment credit for 1984 would have been \$900 (90% of the \$1,000 limit for automobiles placed in service from June 19, 1984, through April 2, 1985). If business use in 1985 fell to 60%, you are treated as having disposed of one-third $(90 - 60) \div 90$ of the automobile on January 1, 1985 (since business use is computed on a tax-year basis and a decrease in business use is deemed to take place on the first day of the tax year). Multiply the recapture percentage from the table above (100%) by one-third and enter the result (33.3%) on line 10 of the form.

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 13.—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. For property placed in service after July 18, 1984, the basis or cost must be reduced by the amount of any "nonqualified, nonrecourse financing" related to the property at year end. If property ceases to be at risk in a later year, or if there is an increase in nonqualified, nonrecourse financing, 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 13.

Line 15.—If you did not use all the credit you originally figured, either in the year you figured it or in a carryback or carryforward year, you do not have to recapture the amount of the credit you did not use. In refiguring the credit for the original credit year, be sure to take into account any carryforwards from previous years, plus any carrybacks arising within the 3 taxable years after the original credit year that are now allowed because the recapture and recomputation of the original credit made available some additional tax liability in that year. 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.

REMINDER: Be sure to adjust your *current* unused credit to reflect any unused portion of the original credit that was recaptured on this form.