

General Instructions

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

Purpose of Form

Use Form 8830 to claim the enhanced oil recovery credit. Partnerships and S corporations use the form to figure the credit to pass through to partners and shareholders. The credit is 15% of certain costs paid or incurred in connection with an enhanced oil recovery project.

An owner of an operating mineral interest may claim or elect not to claim this credit on either an original or amended return at any time within 3 years from the due date of the return (determined without regard to extensions).

Amount of Credit

The tentative credit is 15% (.15) of qualified costs for the year. The credit is reduced when the reference price, determined under section 29(d)(2)(C), exceeds \$28 per barrel. The \$28 value is adjusted for inflation for years after 1991. If the reference price exceeds the base value of \$28 (as adjusted by inflation) by more than \$6, the credit is zero. For 1994, there is no reduction of the credit.

Definitions

Qualified enhanced oil recovery costs means:

1. Any amount paid or incurred during the tax year for tangible property—
 - a. That is an integral part of a qualified enhanced oil recovery project, and
 - b. For which depreciation (or amortization in lieu of depreciation) is allowable.
2. Any intangible drilling and development costs—
 - a. That are paid or incurred in connection with a qualified enhanced oil recovery project, and
 - b. For which the taxpayer may make an election under section 263(c). For an integrated oil company, this includes intangible drilling costs required to be amortized under section 291(b).
3. Any qualified tertiary injectant expenses paid or incurred in connection with a qualified enhanced oil recovery project, and for which a deduction under section 193 is allowable.

Qualified enhanced oil recovery project means any project involving the application of one or more tertiary recovery methods defined in section 193(b)(3) (and listed below) that can reasonably be expected to result in more than an insignificant increase in the amount of crude oil that will ultimately be recovered. The project must be located within the United States, which includes the seabed and subsoil adjacent to the territorial waters of the United States and over which the United States has exclusive rights by international law for exploration and

exploitation of natural resources (see section 638(1)). The first injection of liquids, gases, or other matter must begin after 1990. However, any significant expansion after 1990 of a project begun before 1991 is treated as a project where the first injection begins after 1990.

Additionally, the operator (or designated owner) must submit a certification from a petroleum engineer that the project meets the above requirements. File this certification with the Internal Revenue Service Center, Austin, TX 73301, by the due date of the operator's (or designated owner's) Federal income tax return. The petroleum engineer certifying a project must be duly registered or certified by any state.

The operator (or designated owner) must certify each following year that the project continues to be implemented substantially in accordance with the petroleum engineer's certification. This continued certification must be filed with the Internal Revenue Service Center, Austin, TX 73301, by the due date for filing the operator's (or designated owner's) Federal income tax return.

If the application of a tertiary recovery method is terminated, the operator (or designated owner) must notify the Internal Revenue Service Center, Austin, TX 73301, of the termination by the due date of the operator's (or designated owner's) Federal income tax return for the tax year in which the project terminates.

See Regulations section 1.43-3 for the information that these certifications must include.

Tertiary recovery methods qualifying for the credit include:

- Miscible fluid displacement,
- Steam drive injection,
- Microemulsion flooding,
- In situ combustion,
- Polymer-augmented water flooding,
- Cyclic-steam injection,
- Alkaline (or caustic) flooding,
- Carbonated water flooding,
- Immiscible nonhydrocarbon gas displacement, or
- Any other method approved by the Secretary of the Treasury.

Specific Instructions

Part I

Use lines 1 and 2 to figure any enhanced oil recovery credit from your own trade or business. Skip lines 1 and 2 if you are claiming only a credit that was allocated to you from an S corporation or a partnership.

S Corporations and Partnerships

Figure the total credit on lines 1 through 4. Then allocate the line 4 credit among the individual shareholders or partners in the same way that income and loss are shared.

Line 1.—Enter the total of the qualified costs paid or incurred during the year in connection with a qualified enhanced oil recovery project. See **Definitions** above.

Line 2.—Enter 15% of line 1 on line 2. This is your current year credit.

You must reduce the otherwise allowable deduction(s) for line 1 costs by the line 2 credit attributable to these costs. Also, if any part of the line 1 costs are for expenditures that increase the basis of property, reduce the otherwise allowable basis increase by the line 2 credit attributable to these costs.

Who Must File Form 3800

If for this year you have more than one of the credits included in the general business credit listed below, or have a carryback or carryforward of any of the credits, or have an investment credit from a passive activity, you must complete **Form 3800**, General Business Credit, instead of completing Part II of Form 8830 to figure the tax liability limitation.

The general business credit consists of the following credits: Investment (Form 3468), Jobs (Form 5884), Alcohol used as fuel (Form 6478), Research (Form 6765), Low-income housing (Form 8586), Enhanced oil recovery (Form 8830), Disabled access (Form 8826), Renewable electricity production (Form 8835), Indian employment (Form 8845), Employer social security and Medicare taxes paid on certain employee tips (Form 8846), and Contributions to selected community development corporations (Form 8847).

The empowerment zone employment credit (Form 8844), while a component of the general business credit, is figured separately on Form 8844 and is never carried to Form 3800.

Part II

Line 5c.—Form 990-T filers, enter the total of either lines 35c and 37 or lines 36 and 37, whichever applies.

Line 8.—Enter the tentative minimum tax (TMT) that was figured on the appropriate alternative minimum tax (AMT) form or schedule. Although you may not owe AMT, you must still compute the TMT to figure your credit.

Line 10.—See section 38(c)(3) for special rules for married couples filing separate returns, for controlled corporate groups, and for estates and trusts.

Line 12.—Enter the general business credit on the appropriate line of your income tax return.

Note: If you cannot use all of your credit because of the tax liability limitations (line 12 is smaller than line 4), carry any excess back 3 years and then forward to each of the 15 years after the year of the credit. Any unused credit from 1994 cannot be carried back to a tax year beginning before January 1, 1991. See the separate Instructions for Form 3800 for details.

