

Notice

If you downloaded this form prior to January 2006, you may want to download it again as we made the following correction. The caption for line 14 of Section B now reads “Multiply line 10 by the lesser of $\frac{1}{2}$ or line 13.” It formerly and incorrectly read “Multiply line 12 by the lesser of $\frac{1}{2}$ or line 13.”

Renewable Electricity and Refined Coal Production Credit

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

Section A. Electricity produced at qualified facilities placed in service prior to October 23, 2004

Caution: If you also have credits from qualified facilities placed in service after October 22, 2004, complete Section A and then complete Section B below.

Part I Current Year Credit

1	Kilowatt-hours produced and sold (see instructions)	× 0.018		1									
2	Phaseout adjustment (see instructions)	\$ ×		2									
3	Credit before reduction. Subtract line 2 from line 1			3									
Reduction for government grants, subsidized financing, and other credits:													
4	Total of government grants, proceeds of tax-exempt government obligations, subsidized energy financing, and any other credits allowed for the project for this and all prior tax years			4									
5	Total of additions to the capital account for the project for this and all prior tax years			5									
6	Divide line 4 by line 5. Show as a decimal carried to at least 4 places	6									
7	Multiply line 3 by line 6			7									
8	Subtract line 7 from line 3			8									
9	Section A credits from pass-through entities:	<table border="1" style="font-size: 0.8em; border-collapse: collapse;"> <tr> <td style="width: 15%;">If you are a—</td> <td style="width: 35%;">Then enter the credit(s) from—</td> </tr> <tr> <td>a Shareholder</td> <td>Schedule K-1 (Form 1120S), box 13, code G, H, or V</td> </tr> <tr> <td>b Partner</td> <td>Schedule K-1 (Form 1065), box 15, code G, H, or U</td> </tr> <tr> <td>c Beneficiary</td> <td>Schedule K-1 (Form 1041), line 14</td> </tr> </table>	If you are a—	Then enter the credit(s) from—	a Shareholder	Schedule K-1 (Form 1120S), box 13, code G, H, or V	b Partner	Schedule K-1 (Form 1065), box 15, code G, H, or U	c Beneficiary	Schedule K-1 (Form 1041), line 14		9	
If you are a—	Then enter the credit(s) from—												
a Shareholder	Schedule K-1 (Form 1120S), box 13, code G, H, or V												
b Partner	Schedule K-1 (Form 1065), box 15, code G, H, or U												
c Beneficiary	Schedule K-1 (Form 1041), line 14												
10	Current year credit. Add lines 8 and 9			10									

Part II Allowable Credit (See Who must file Form 3800 to find out if you complete Part II or file Form 3800.)

11	Regular tax before credits (see instructions)			11	
12	Alternative minimum tax (see instructions)			12	
13	Add lines 11 and 12			13	
14a	Foreign tax credit		14a		
b	Credits from Form 1040, lines 47 through 53		14b		
c	Possessions tax credit (Form 5735, line 17 or 27)		14c		
d	Credit for fuel from a nonconventional source		14d		
e	Qualified electric vehicle credit (Form 8834, line 20)		14e		
f	Add lines 14a through 14e			14f	
15	Net income tax. Subtract line 14f from line 13. If zero, skip lines 16 through 19 and enter -0- on line 20			15	
16	Net regular tax. Subtract line 14f from line 11. If zero or less, enter -0-		16		
17	Enter 25% (.25) of the excess, if any, of line 16 over \$25,000 (see instructions)		17		
18	Tentative minimum tax (see instructions)		18		
19	Enter the greater of line 17 or line 18			19	
20	Subtract line 19 from line 15. If zero or less, enter -0-			20	
21	Credit allowed for the current year. Enter the smaller of line 10 or line 20. Report the total of this amount and the amount from Section B, line 40, on Form 1040, line 54; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 20 is smaller than line 10, see instructions			21	

Section B. Electricity and refined coal produced at qualified facilities placed in service after October 22, 2004

Part I Current Year Credit

Electricity produced at qualified facilities using wind, closed-loop biomass not modified for co-fire purposes, geothermal, and solar					
1	Kilowatt-hours produced and sold (see instructions)	× 0.018		1	
Electricity produced at qualified facilities using open-loop biomass (cellulosic or agricultural livestock waste), small irrigation power, landfill gas, and trash combustion					
2	Kilowatt-hours produced and sold after October 22, 2004, and before January 1, 2005 (see instructions)	× 0.018		2	
3	Kilowatt-hours produced and sold after December 31, 2004 (see instructions)	× .009		3	
4	Add lines 1, 2, and 3			4	

5	Phaseout adjustment (see instructions)	\$	×		5	
6	Subtract line 5 from line 4				6	
Refined coal produced at a qualified refined coal production facility						
7	Tons produced and sold (see instructions)		×	\$5.351	7	
8	Phaseout adjustment (see instructions)	\$	×		8	
9	Subtract line 8 from line 7				9	
10	Credit before reduction. Add lines 6 and 9				10	
Reduction for government grants, subsidized financing, and other credits:						
11	Total of government grants, proceeds of tax-exempt government obligations, subsidized energy financing, and any other credits allowed for the project for this and all prior tax years				11	
12	Total of additions to the capital account for the project for this and all prior tax years				12	
13	Divide line 11 by line 12. Show as a decimal carried to at least 4 places				13	.
14	Multiply line 10 by the lesser of 1/2 or line 13				14	
15	Subtract line 14 from line 10				15	
Electricity produced at qualified closed-loop biomass facilities modified to co-fire with coal, with other biomass, or both						
16	Thermal content of closed-loop biomass used in the facilities				16	
17	Thermal content of all fuels used in the facilities				17	
18	Divide line 16 by line 17. Show as a decimal carried to at least two places				18	.
19	Kilowatt-hours produced and sold (see instructions)		×	0.018	19	
20	Multiply line 19 by line 18				20	
21	Phaseout adjustment (see instructions)	\$	×		21	
22	Subtract line 21 from line 20				22	
23	Section B credits from pass-through entities:	If you are a—	Then enter the credit(s) from—		23	
		a Shareholder	Schedule K-1 (Form 1120S), box 13, code G, H, or V	}		
		b Partner	Schedule K-1 (Form 1065), box 15, code G, H, or U			
		c Beneficiary	Schedule K-1 (Form 1041), line 14			
24	Add lines 15, 22, and 23				24	
25	Renewable electricity and refined coal production credit included on line 24 from passive activities (see instructions)				25	
26	Subtract line 25 from line 24				26	
27	Renewable electricity and refined coal production passive activity credit allowed for 2004 (see instructions)				27	
28	Carryback of renewable electricity and refined coal production credit from 2005 (see instructions)				28	
29	Current year credit. Add lines 26 through 28				29	

Part II Allowable Credit

30	Regular tax before credits (see instructions)				30	
31	Alternative minimum tax (see instructions)				31	
32	Add lines 30 and 31				32	
33a	Foreign tax credit				33a	
b	Credits from Form 1040, lines 47 through 53				33b	
c	Possessions tax credit (Form 5735, line 17 or 27)				33c	
d	Credit for fuel from a nonconventional source				33d	
e	Qualified electric vehicle credit (Form 8834, line 20)				33e	
f	Add lines 33a through 33e				33f	
34	Net income tax. Subtract line 33f from line 32. If zero, skip lines 35 through 38 and enter -0- on line 39				34	
35	Net regular tax. Subtract line 33f from line 30. If zero or less, enter -0-				35	
36	Enter 25% (.25) of the excess, if any, of line 35 over \$25,000 (see instructions)				36	
37	Subtract line 36 from line 34. If zero or less, enter -0-				37	
38	General business credit (see instructions)				38	
39	Subtract line 38 from line 37. If zero or less, enter -0-				39	
40	Credit allowed for the current year. Enter the smaller of line 29 or line 39. Report this amount and the amount from Section A, line 21 (if any) on Form 1040, line 54; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 40 is smaller than line 29, see instructions				40	

General Instructions

Section references are to the Internal Revenue Code.

What's New

The following are new qualifying resources and facilities for the production of electricity.

- Open-loop biomass used in an open-loop biomass facility.
- Geothermal energy used in a geothermal facility.
- Solar energy used in a solar facility.
- Small irrigation power used in small irrigation power facility.
- Municipal solid waste used in a landfill gas facility.
- Municipal solid waste used in a trash combustion facility.

A new, separate resource and facility not used in the production of electricity is refined coal from a refined coal production facility.

See section 45 for more details.

Purpose of Form

Use Form 8835 to claim the renewable electricity and refined coal production credit. The credit is allowed only for the sale of electricity or refined coal produced in the United States or U.S. possessions from qualified energy resources at a qualified facility (see *Definitions* below).

How To Figure the Credit

Generally, the credit is 1.5 cents per kilowatt-hour (kWh) for the sale of electricity produced by the taxpayer from qualified energy resources at a qualified facility during the credit period (see *Definitions* below). The 1.5 cents credit amount is reduced by $\frac{1}{2}$ for open-loop biomass, small irrigation, landfill gas and trash combustion facilities. In the case of a closed-loop biomass facility, the 1.5 cent amount is multiplied by the ratio of the thermal content of the closed-loop biomass used in the facility to the thermal content of all fuels used in the facility. The credit is \$4.375 per ton for the sale of refined coal produced at a qualified facility during the credit period; see section 45(e)(8)(A).

The credit for electricity produced is proportionately phased out over a 3-cent range when the reference price exceeds the 8-cent threshold price. The refined coal credit is proportionately phased out over an \$8.75 range when the reference price of fuel used as feedstock exceeds 1.7 times the 2002 reference price. The 1.5-cent credit rate, the 8-cent threshold price, the \$4.375 refined coal rate, and the reference price of fuel used as a feedstock are adjusted for inflation. The reference price and the inflation adjustment factor (IAF) for each calendar year are published during the year in the Federal Register. If the reference price is less than the threshold price (adjusted by the IAF), there is no reduction. For electricity produced, if the reference price is more than 3 cents over the adjusted threshold price, there is no credit; if the reference price is more than the threshold price, but not more than 3 cents over the adjusted threshold price, there is a phaseout adjustment on line 2 of Section A and lines 5 and 21 of Section B. For refined coal produced, if the reference price is more than \$8.75 over the adjusted threshold price, there is no credit; if the reference price is more than

the threshold price, but not more than the \$8.75 over the adjusted threshold price, there is a phaseout adjustment on line 8 of Section B.

Note. For calendar year 2004 the credit for electricity and refined coal produced and sold is, respectively, 1.8 cents per kWh and \$5.351 per ton; there is no phaseout adjustment for either.

Section A example. If the reference price of electricity is 10.0¢ and the adjusted threshold price is 9.0¢, reduce the credit by $\frac{1}{3}$ ($(10.0¢ - 9.0¢) \div 3¢ = .3333$). Enter the line 1 credit in the first entry space on line 2, .3333 in the second entry space, and multiply to figure the reduction.

Definitions

Qualified energy resources means wind, closed-loop biomass, poultry waste, open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, and refined coal.

Closed-loop biomass is any organic material from a plant that is planted exclusively for use at a qualified facility to produce electricity.

Poultry waste is poultry manure and litter, including wood shavings, straw, rice hulls, and other bedding material for the disposition of manure.

Open-loop biomass is cellulosic or agricultural livestock waste materials as defined in section 45(c)(3).

Geothermal energy is energy derived from a geothermal deposit as defined by section 613(e)(2).

Small irrigation power is power generated without any dam or impoundment of water. See section 45(c)(5).

Municipal solid waste is solid waste as defined under paragraph 27 of 42 U.S.C. 6903.

Refined coal is a liquid, gaseous, or solid synthetic fuel produced from coal or high carbon fly ash meeting the requirements of section 45(c)(7).

Qualified facility is any of the following facilities owned by the taxpayer and used to produce electricity or, in the case of a refined coal production facility, refined coal. The facilities are broken down by form section.

Section A

- Poultry waste facility placed in service after 12/31/99 and before 1/1/04.
- Wind facility placed in service after 12/31/93 and before 10/23/04.
- Closed-loop biomass facility placed in service after 12/31/92 and before 10/23/04.

Section B

- Wind facility placed in service after 10/22/04 and before 1/1/06.
- Closed-loop biomass facility placed in service after 10/22/04 and before 1/1/06.
- Closed-loop biomass facility modified to co-fire with coal or other biomass (or both), placed in service before 1/1/06. See section 45(d)(2).
- Open-loop biomass facility using cellulosic waste placed in service before 1/1/06.
- Open-loop biomass facility using agricultural livestock waste placed in service after 10/22/04 and before 1/1/06 and the nameplate capacity rating is not less than 150 kilowatts.

- Geothermal energy facility placed in service after 10/22/04 and before 1/1/06.
- Solar energy facility placed in service after 10/22/04 and before 1/1/06.
- Small irrigation power facility placed in service after 10/22/04 and before 1/1/06.
- Landfill gas or trash combustion facility using municipal solid waste placed in service after 10/22/04 and before 1/1/06.
- A refined coal production facility originally placed in service after 10/22/04 and before 1/1/09.

A qualified facility does not include any facility that qualifies for the credit under section 29 for producing fuel from a nonconventional source in the current or any prior tax year.

Credit period is:

- 10 years for a wind, poultry waste, closed-loop biomass (not modified for co-fire purposes), or refined coal production facility, beginning on the date the facility was placed in service.
- 10 years for a closed-loop biomass facility modified to co-fire with coal, other biomass (or both), beginning on the date the facility was placed in service but not earlier than 10/22/04.
- 5 years for an open-loop biomass using agricultural livestock waste, geothermal, solar energy, small irrigation power, landfill gas, or trash combustion facility, beginning on the date the facility was placed in service.
- 5 years for an open-loop biomass facility using cellulosic waste, beginning on the date the facility was placed in service but not earlier than 10/22/04.

United States and U.S. possessions include the seabed and subsoil of those submarine areas that are adjacent to the territorial waters over which the United States has exclusive rights according to international law.

Who Can Take the Credit

Generally, the owner of the facility is allowed the credit. In the case of closed-loop biomass and open-loop biomass facilities, if the owner is not the producer of the electricity, the lessee or the operator of the facility is eligible for the credit. If a governmental unit owns a poultry waste facility, the lessee or operator of the facility is eligible for the credit.

Specific Instructions for Section A and Section B

Note. Where line references between Section A and B differ, the Section B line references are in parentheses.

Figure any renewable electricity and refined coal production credit from your trade or business on lines 1 through 8 (lines 1 through 22 of Section B). Skip lines 1 through 8 (lines 1 through 22 of Section B) if you are only claiming a credit that was allocated to you from an S corporation, partnership, estate, or trust.

Fiscal year taxpayers. If you have sales in 2004 and 2005 and the credit rate on line 1 (lines 1, 2, 7, or 19 of Section B) or the phaseout adjustment on line 2 (lines 5, 8, or 21 of Section B) is different for 2005, make separate computations for each line. Use the respective sales, credit rate, and phaseout adjustment for each calendar year. Enter the total of the two computations on the credit rate line(s)—line 1 of Section A (lines 1, 2, 7, or 19 of

Section B)—or the phaseout adjustment line(s)—line 2 of Section A (lines 5, 8, or 21 of Section B). Attach the computations to Form 8835 and write "FY" in the margin.

Part I—Current Year Credit

Line 1 (Lines 2 and 19, Section B)

Enter the kilowatt-hours of electricity produced at qualified facilities and multiply by \$.018. Fiscal year filers with 2005 sales may have to refigure lines 1, 2, and 19 as explained under *Fiscal year taxpayers* above.

Line 3, Section B only

Enter the kilowatt-hours of electricity produced and sold at qualified facilities during 2005 and multiply by the credit amount determined for 2005. Fiscal filers with 2005 sales must figure lines 1, 2, and 19 as explained under *Fiscal year taxpayers* above.

Line 2, Section A (Lines 5 and 21, Section B)

Calendar year filers enter zero on lines 2, 5, and 21. Fiscal year filers with sales in 2005 also enter zero if the published 2005 reference price is equal to or less than the 2005 adjusted threshold price. See *How To Figure the Credit* to figure the adjustment.

Line 7, Section B only

Enter the tons of refined coal produced and sold during 2004 from a qualified refined coal production facility and multiply by \$5.351. Fiscal filers with 2005 sales must figure line 7 as explained under *Fiscal year taxpayers* above.

Line 8, Section B only

Calendar year filers enter zero on line 8. Fiscal year filers with sales in 2005 also enter zero if the published 2005 reference price is equal to or less than 1.7 times the 2002 reference price. See *How To Figure the Credit* to figure the adjustment.

Line 4, Section A (Line 11, Section B)

Enter the sum, for this and all prior tax years, of:

- Grants provided by the United States, a state, or political subdivision of a state for the project;
- Proceeds of a tax-exempt issue of state or local government obligations used to provide financing for the project;
- Total of subsidized energy financing provided directly or indirectly under a Federal, state, or local program provided for the project; and
- The amount of any other credit allowable for any property that is part of the project.

Line 25, Section B only

Enter the amount included on line 24 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, *Passive Activity Credit Limitations* (for individuals, trusts, and estates), or 8810, *Corporate Passive Activity Loss and Credit Limitations* (for corporations).

Line 27, Section B only

Enter the passive activity credit allowed for the 2004 renewable electricity and refined coal production credit from Form 8582-CR or Form 8810.

Line 28, Section B only

Use only if you amend your 2004 return to carry back an unused renewable electricity or refined coal production credit from 2005.

Line 10, Section A (Line 29, Section B)

Pass-through entities should report the amount on lines 10 and 29 as follows.

S corporations and partnerships. Allocate the line 10 (line 29 of Section B) credit to the shareholders or partners. Attach Form 8835 to the S corporation or partnership return, and show on Schedule K-1 each shareholder's or partner's credit. Electing large partnerships include this credit in "general credits."

Estates and trusts. Allocate the line 10 (line 29 of Section B) credit between the estate or trust and the beneficiaries in proportion to the income allocated to each. On the dotted line to the left of the entry space, enter the estate or trust's share of the credit. Label it "1041 portion" and use it in Part II (or on Form 3800, if required) to figure the credit to claim on Form 1041.

Part II—Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. If you are completing Section B, you must complete Part II to figure the allowable credit. If you are completing Section A, use Part II to figure the allowable credit unless you must file Form 3800, *General Business Credit*.

Who must file Form 3800. You must file Form 3800 if you have:

- A renewable electricity production credit from a passive activity (in Section A),
- More than one credit included in the general business credit (other than a credit from Form 8844, Form 8884, or Section B of Form 8835), or
- A carryback or carryforward of any of those credits.

See the instructions for Form 3800 to find out which credits are included in the general business credit.

Line 11, Section A (Line 30, Section B)

Enter the regular tax before credits from the following line of the appropriate form or schedule.

- Individuals. Enter the amount from Form 1040, line 43.
- Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return.
- Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your return.

Line 12, Section A (Line 31, Section B)

Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

- Individuals. Enter the amount from Form 6251, line 35.
- Corporations. Enter the amount from Form 4626, line 14.
- Estates and trusts. Enter the amount from Form 1041, Schedule I, line 56.

Line 17, Section A (Line 36, Section B)

See section 38(c)(5) for special rules that apply to married couples filing separate returns,

controlled groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 18, Section A only

Although you may not owe AMT, you generally must still compute the tentative minimum tax (TMT) to figure your credit. For a small corporation exempt from the AMT under section 55(e), enter zero. Otherwise, complete and attach the applicable AMT form or schedule. Enter on line 18 the TMT from the line shown below.

- Individuals: Form 6251, line 33.
- Estates and trusts: Form 1041, Schedule I, line 54.
- Corporations: Form 4626, line 12.

Line 38, Section B only

Enter the amount of all other allowed credits for the current year included in the general business credit. If you are filing Form 3800, enter the amount from line 19 of that form plus the following.

- Form 8884, line 21.
- Form 8844, line 24.
- The amount from the last line of any single separate general business credit form.

Line 21, Section A (Line 40, Section B)

If you are completing Section A, and cannot use all of the credit because of the tax liability limit (line 20 is smaller than line 10) carry the unused credit back 1 year and then forward 20 years.

If you are completing Section B, and cannot use all of the credit because of the tax liability limit (line 39 is smaller than line 29), you cannot carry the unused credit back; you must carry the unused credit forward for 20 years.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. 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 not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	21 hr., 16 min.
Learning about the law or the form	1 hr.
Preparing and sending the form to the IRS	1 hr., 22 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.