

# Renewable Electricity, Refined Coal, and Indian Coal Production Credit

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

**Part I Electricity Produced at Qualified Facilities Placed in Service Prior to October 23, 2004**

1	Kilowatt-hours produced and sold (see instructions) . . . . .	× 0.021	1		
2	Phaseout adjustment (see instructions) . . . . .	\$ . . . . . × . . . . .	2		
3	Credit before reduction. Subtract line 2 from line 1 . . . . .		3		
<b>Reduction for government grants, subsidized financing, and other credits:</b>					
4	Total of government grants, proceeds of tax-exempt government obligations, subsidized energy financing, and any federal tax credits allowed for the project for this and all prior tax years (see instructions) . . . . .		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	Part I renewable electricity production credit from partnerships, S corporations, cooperatives, estates, and trusts . . . . .		9		
10	Add lines 8 and 9. Cooperatives, estates, and trusts, go to line 11; partnerships and S corporations, report this amount on Schedule K; all others, report this amount on Form 3800, line 1f . . . . .		10		
11	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)		11		
12	<b>Cooperatives, estates, and trusts.</b> Subtract line 11 from line 10. Report this amount on Form 3800, line 1f		12		

**Part II Electricity and Refined Coal Produced at Qualified Facilities Placed in Service After October 22, 2004 (after October 2, 2008, for electricity produced from marine and hydrokinetic renewables), and Indian Coal Produced at Facilities Placed in Service After August 8, 2005**

<b>Electricity produced at qualified facilities using wind, closed-loop biomass, geothermal, and solar</b>					
13	Kilowatt-hours produced and sold (see instructions) . . . . .	× 0.021	13		
<b>Electricity produced at qualified facilities from open-loop biomass, small irrigation power, landfill gas, trash, hydropower, and for electricity produced and sold after October 3, 2008, from marine and hydrokinetic renewables</b>					
14	Kilowatt-hours produced and sold (see instructions) . . . . .	× .01	14		
15	Add lines 13 and 14 . . . . .		15		
16	Phaseout adjustment (see instructions) . . . . .	\$ . . . . . × . . . . .	16		
17	Subtract line 16 from line 15 . . . . .		17		
<b>Refined coal produced at a qualified refined coal production facility</b>					
18	Tons produced and sold (see instructions) . . . . .	× \$6.061	18		
19	Phaseout adjustment (see instructions) . . . . .	\$ . . . . . × . . . . .	19		
20	Subtract line 19 from line 18 . . . . .		20		
<b>Steel industry fuel produced at a qualified refined coal production facility</b>					
21	Barrel-of-oil equivalents produced and sold after September 30, 2008 . . . . .	× \$2.00	21		
<b>Indian coal produced at a qualified Indian coal production facility</b>					
22	Tons produced and sold (see instructions) . . . . .	× \$1.589	22		
23	Credit before reduction. Add lines 17, 20, 21, and 22 . . . . .		23		
<b>Reduction for government grants, subsidized financing, and other credits:</b>					
24	Total of government grants, proceeds of tax-exempt government obligations, subsidized energy financing, and any federal tax credits allowed for the project for this and all prior tax years (see instructions) . . . . .		24		
25	Total of additions to the capital account for the project for this and all prior tax years . . . . .		25		
26	Divide line 24 by line 25. Show as a decimal carried to at least 4 places . . . . .		26		
27	Multiply line 23 by the lesser of 1/2 or line 26 . . . . .		27		
28	Subtract line 27 from line 23 . . . . .		28		
29	Part II renewable electricity, refined coal, and Indian coal production credit from partnerships, S corporations, cooperatives, estates, and trusts . . . . .		29		
30	Add lines 28 and 29. Partnerships and S corporations, report this amount on Schedule K; all others continue to line 31 . . . . .		30		
31	Renewable electricity, refined coal, and Indian coal production credit included on line 30 from passive activities (see instructions) . . . . .		31		
32	Subtract line 31 from line 30 . . . . .		32		

<b>33</b>	Renewable electricity, refined coal, and Indian coal production credit allowed for 2008 from a passive activity (see instructions)	<b>33</b>	
<b>34</b>	Carryforward of renewable electricity, refined coal, and Indian coal production credit to 2008.	<b>34</b>	
<b>35</b>	Carryback of renewable electricity, refined coal, and Indian coal production credit from 2009 (see instructions)	<b>35</b>	
<b>36</b>	Add lines 32 through 35. Cooperatives, estates, and trusts, go to line 37; all others, report this amount on Form 3800, line 29e	<b>36</b>	
<b>37</b>	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)	<b>37</b>	
<b>38</b>	<b>Cooperatives, estates, and trusts.</b> Subtract line 37 from line 36. Report this amount on Form 3800, line 29e	<b>38</b>	

## General Instructions

Section references are to the Internal Revenue Code.

### What's New

- Marine and hydrokinetic renewable energy is a new qualifying resource for the production of electricity.
- Steel industry fuel is a new qualifying resource for refined coal.

### Purpose of Form

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

Generally, if you are a taxpayer that is not a partnership or S corporation, and your only source of this credit is from a partnership, S corporation, estate, trust, or cooperative, you are not required to complete Part I of this form. Instead, you can report this credit directly on line 1f of Form 3800. The following exceptions apply.

- You are an estate or trust and the source credit can be allocated to beneficiaries. For more details, see the Instructions for Form 1041, Schedule K-1, box 13.
- You are a cooperative and the source credit can or must be allocated to patrons. For more details, see the Instructions for Form 1120-C, Schedule J, line 5c.

### How To Figure the Credit

Generally, the credit for electricity, refined coal, and Indian coal produced from qualified energy resources at a qualified facility during the credit period (see *Definitions* below) is:

- 1.5 cents per kilowatt-hour (kWh) for the sale of electricity produced by the taxpayer;
- 1/2 of 1.5 cents for open-loop biomass, small irrigation, landfill gas, trash, hydropower, and marine and hydrokinetic renewable facilities;
- \$4.375 per ton for the sale of refined coal produced, see section 45(e)(8)(A);
- \$2 per barrel-of-oil equivalent for the sale of steel industry fuel, see section 45(e)(8)(A); or
- \$1.50 per ton for the sale of Indian coal produced.

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, the reference price of fuel used as a feedstock, the \$2 steel industry fuel rate, and the \$1.50 Indian coal rate 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 or line 16. 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 19.

**Note.** For calendar year 2008, the effective credit rate for electricity, refined coal, and Indian coal produced and sold is, respectively, 2.1 cents per kWh, \$6.061 per ton, and \$1.589 per ton; there is no phaseout adjustment.

**Example.** If the reference price of electricity is 10.0¢ and the adjusted threshold price is 9.0¢, reduce the credit by 1/3 ((10.0¢ - 9.0¢) ÷ 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

**Resources** means wind, closed-loop biomass, poultry waste, open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, hydropower production, marine and hydrokinetic renewables, refined coal, and Indian 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 solid, nonhazardous, cellulosic waste material; lignin material; or agricultural livestock waste nutrients as defined in section 45(c)(3). See Notice 2008-60, 2008-30 I.R.B. 178, for rules related to open-loop biomass, including an expanded definition of a qualified facility and rules related to sales.

**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 (1) a liquid, gaseous, or solid fuel produced from coal or high carbon fly ash meeting the requirements of section 45(c)(7), or (2) steel industry fuel (defined below).

**Steel industry fuel** is a fuel that is produced through a process of liquifying coal waste sludge (as defined by section 45(c)(7)(C)(iii)) and distributing it on coal and is used as a feedstock for the manufacture of coke.

**Hydropower production** means the incremental hydropower production for the tax year from any hydroelectric dam placed in service on or before 8/8/2005 and the hydropower production from any nonhydroelectric dam described in section 45(c)(8)(C).

**Marine and hydrokinetic renewable energy** means energy derived from waves, tides, and currents in oceans, estuaries, and tidal areas; free flowing water in rivers, lakes, and streams; free flowing water in an irrigation system, canal, or other man-made channel, including projects that utilize nonmechanical structures to accelerate the flow of water for electric power production purposes; or differentials in ocean temperature (ocean thermal energy conversion). See section 45(c)(10) for exceptions.

**Indian coal** means coal which is produced from coal reserves which on 6/14/05 were owned by an Indian tribe or held in trust by the United States for the benefit of an Indian tribe or its members.

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

### Part I

- Poultry waste facility placed in service after 12/31/99 and before 1/1/05.
- 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.

### Part II

- Wind facility placed in service after 10/22/04 and before 1/01/10. This does not include any facility for which any qualified

small wind energy property expenditure (as defined in section 25D(d)(4)) is used in determining the residential energy efficient property credit.

- Closed-loop biomass facility placed in service after 10/22/04 and before 1/01/11.
- Closed-loop biomass facility modified to co-fire with coal or other biomass (or both), placed in service before 1/01/11. See section 45(d)(2).
- Closed-loop biomass facility that is a new unit placed in service after 10/3/08 in connection with a facility described in section 45(d)(2)(A)(i), but only to the extent of the increased amount of electricity produced at the facility by reason of the new unit.
- Open-loop biomass facility using cellulosic waste placed in service before 1/01/11.
- Open-loop biomass facility using agricultural livestock waste placed in service after 10/22/04 and before 1/01/11, and the nameplate capacity rating is not less than 150 kilowatts.
- Open-loop biomass facility that is a new unit placed in service after 10/3/08 in connection with a facility described in section 45(d)(3)(A), but only to the extent of the increased amount of electricity produced at the facility by reason of the new unit.
- Geothermal energy facility placed in service after 10/22/04 and before 1/01/11.
- 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 10/3/08.
- Landfill gas or trash facility using municipal solid waste placed in service after 10/22/04 and before 1/01/11.
- A refined coal production facility originally placed in service after 10/22/04 and before 1/01/10, or a facility producing steel industry fuel (or any modification to such a facility) placed in service before 1/01/10.
- Hydropower facility producing incremental hydroelectric production attributable to efficiency improvements or additions to capacity described in section 45(c)(8)(B) placed in service after 8/8/05 and before 1/01/11, and any other facility producing qualified hydroelectric production described in section 45(c)(8) placed in service after 8/8/05 and before 1/01/11.
- Indian coal production facility placed in service before 1/1/09.
- Marine and hydrokinetic renewable energy facility placed in service after 10/02/08 and before 1/01/12.

A qualified facility does not include a refined coal production facility or landfill gas facility using municipal solid waste to produce electricity, if the production from that facility is allowed as a credit under section 45K. This does not apply to a refined coal facility producing steel industry fuel.

**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.

- 10 years for a hydropower facility, beginning on the date the efficiency improvements or additions to capacity are placed in service.
- 7 years for an Indian coal production facility, beginning on the date the facility was placed in service, but not before 1/1/2006.
- 5 years for an open-loop biomass facility using agricultural livestock waste, geothermal, solar energy, small irrigation power, landfill gas, or trash facility, beginning on the date the facility was placed in service, if placed in service during the period after 10/22/04 and before 8/9/05. The credit period is 10 years if placed in service after 8/8/05.
- 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 1/1/05.
- The period beginning on the later of the date the facility was placed in service, the date the modifications (described in section 45(e)(8)(D)(iii)) were placed in service, or October 1, 2008, and ending on the later of December 31, 2009, or 1 year after the date the facility or modifications (described in section 45(e)(8)(D)(iii)) were placed in service for steel industry fuel.

**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 facilities modified to co-fire with coal, other biomass, or both 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.

**Specific Instructions for Part I and Part II**

Figure any renewable electricity, refined coal, and Indian coal production credit from your trade or business on lines 1 through 8 or lines 13 through 27. Skip lines 1 through 8 or lines 13 through 27 if you are only claiming a credit that was allocated to you from an S corporation, partnership, cooperative, estate, or trust.

**Fiscal year taxpayers.** If you have sales in 2008 and 2009 and the credit rate on lines 1, 13, 14, 18, 21, or 22 (or the phaseout adjustment on lines 2, 16, or 19) is different for 2009, 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) (lines 1, 13, 14, 18, 21, or 22) or the phaseout adjustment line(s) (lines 2, 16, or 19). Attach the computations to Form 8835 and write "FY" in the margin.

**Line 1 and Line 13**

Enter the kilowatt-hours of electricity produced at qualified facilities and multiply by \$.021. Fiscal year filers with 2009 sales may have to refigure lines 1 and 13 as explained under *Fiscal year taxpayers* above.

If you claimed the credit for a closed-loop biomass facility modified to co-fire with coal, other biomass, or both, after October 21, 2004, and before tax year 2007, you should

file an amended return to refigure your credit. Use Form 8835 for the applicable tax year to refigure your credit. The additional limitation, based on the thermal content of closed-loop biomass used in the facility and the thermal content of all fuels used in the facility, that applied to these facilities no longer applies. As a result, the credit related to these facilities is figured on line 13.

**Line 14**

Enter the kilowatt-hours of electricity produced and sold at qualified facilities and multiply by \$.01. Fiscal filers with 2009 sales must figure line 14 as explained under *Fiscal year taxpayers* above.

**Line 2 and Line 16**

Calendar year filers enter zero on line 2 or line 16. Fiscal year filers with sales in 2009 also enter zero if the published 2009 reference price is equal to or less than the 2009 adjusted threshold price. See *How To Figure the Credit* on page 2 to figure the adjustment.

**Line 18**

Enter the tons of refined coal (other than steel industry fuel) produced and sold during 2008 from a qualified refined coal production facility and multiply by \$6.061. Fiscal filers with 2009 sales must figure line 18 as explained under *Fiscal year taxpayers* above.

**Line 19**

Calendar year filers enter zero on line 19. Fiscal year filers with sales in 2009 also enter zero if the published 2009 reference price is equal to or less than 1.7 times the 2002 reference price. See *How To Figure the Credit* on page 2 to figure the adjustment.

**Line 21**

Enter the barrel-of-oil equivalents of steel industry fuel produced and sold after September 30, 2008 from a qualified refined coal facility and multiply by \$2.00.

**Line 22**

Enter the tons of Indian coal produced and sold from a qualified Indian coal facility and multiply by \$1.589.

**Line 4 and Line 24**

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 federal tax credit allowable for any property that is part of the project.

**Line 10 and Line 30**

Partnerships that own and produce electricity from qualified wind facilities should see Rev. Proc. 2007-65, 2007-45 I.R.B. 967, for information on how to allocate the credit. Rev. Proc. 2007-65 is available at [www.irs.gov/irb/2007-45\\_IRB/ar18.html](http://www.irs.gov/irb/2007-45_IRB/ar18.html).

**Line 31**

Enter the amount included on line 30 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 33**

Enter the passive activity credit allowed for the 2008 renewable electricity, refined coal, and Indian coal production credit from Form 8582-CR or Form 8810.

**Line 35**

Use only if you amend your 2008 return to carry back an unused renewable electricity, refined coal, and Indian coal production credit from 2009.

**Line 11 and Line 37**

**Cooperative election to allocate credit to patrons.** A cooperative described in section 1381(a) can elect to allocate any part of the renewable electricity, refined coal, and Indian coal production credit among the patrons of the cooperative. The credit is allocated among the patrons eligible to share in patronage dividends on the basis of the quantity or value of business done with or for such patrons for the tax year.

The cooperative is deemed to have made the election by completing line 11 or line 37, as applicable. However, the election is not effective unless (a) made on a timely filed return (including extensions) and (b) the organization designates the apportionment in a written notice mailed to its patrons during the payment period described in section 1382(d).

If you timely file your return without making an election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding extensions). Enter "Filed pursuant to section 301.9100-2" on the amended return.

Once made, the election cannot be revoked.

**Estates and trusts.** Allocate the credit on line 10 or line 36 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 11 or line 37.

**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 burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

- Recordkeeping** . . . . . 11 hr., 57 min.
- Learning about the law or the form** . . . . . 1 hr., 5 min.
- Preparing and sending the form to the IRS** . . . . . 1 hr., 19 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.