

LB&I Process Unit

Knowledge Base – Corporate/Business Issues & Credits

Library Level	Number	Title
Shelf		General Business and Energy Credits
Book	278	Energy Credits
Chapter	4	Advanced Energy Credit – 48C
Section	4.1	Qualifying Advanced Energy Project Credit

Unit Name	Examining the Qualifying Advanced Energy Project Credit	
Primary UIL Code	48C.00-00	Qualifying Advanced Energy Project Credit

Document Control Number (DCN)	ECR/P/278_04_01-01
Date of Last Update	04/17/18

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Process Overview

Examining the Qualifying Advanced Energy Project Credit

The American Recovery and Reinvestment Act of 2009 enacted the IRC 48C credit to encourage taxpayers to invest in projects that establish, expand or re-equip a manufacturing facility for the production of any of the seven types of specified advanced energy property (SAEP) listed in the definition of SAEP. Property used in the refining or blending of any transportation fuel other than renewable fuels is not eligible for the credit.

This Practice Unit provides guidance to IRS examiners for determining whether a taxpayer's qualifying advanced energy project credit (IRC 48C credit) complies with IRC 48C.

Taxpayers must file applications for the IRC 48C credit in advance. The IRS and Department of Energy (DOE) review and must approve the application before a project can qualify for the credit. Therefore, you generally do not need to be concerned with whether a project that was allocated a credit qualifies as an IRC 48C project, as long as the project placed in service is the same as that described in the application. It is possible that the descriptions of the IRC 48C project in the DOE application and in the IRS application are not the same. If you find any discrepancy between the descriptions of the project in those applications, you should immediately notify the Energy and Investment Tax Credit Practice Network (EITCPN).

You are responsible for determining compliance with many requirements of IRC 48C. For taxpayers who reported an IRC 48C credit for more than one project, you are responsible for determining compliance for each project. Analysis of audit risk may be applied except in the case of campaign examinations. If you are concerned about misrepresentation of the project or qualification as an IRC 48C project, you should contact the EITCPN.

Taxpayers may not make a significant change in an IRC 48C project without forfeiting the credit in full for that project. Only the Enterprise Activities Practice Area Director has authority to determine whether a change in an IRC 48C project is a significant change.

Process Applicability

Examining the Qualifying Advanced Energy Project Credit

The process of examining the IRC 48C credit consists of 15 steps.

Criteria	Resources
<p>The process of examining the IRC 48C credit consists of 15 steps that require you to:</p> <ul style="list-style-type: none">▪ Understand the unique process and requirements for claiming the credit,▪ Check for compliance with the steps of that process,▪ Verify material amounts, and▪ Check for compliance with the investment credit rules for carryovers, recaptures and basis reduction. <p>You may issue Information Document Requests (IDRs) 1 through 9 at the beginning of the examination. You may issue other optional IDRs, noted in Steps 5, 6 and 7, if you encounter conditions described in those steps.</p> <p>Guidance is available from the EITCPN.</p>	<ul style="list-style-type: none">▪ IRC 48C

Step 1: 48C Credit Process

Examining the Qualifying Advanced Energy Project Credit

Step 1

Understand the IRC 48C credit process.

Considerations	Resources
<p>The IRC 48C credit requires procedures and review processes that are more complicated than most tax credits. It is also subject to Delegation Order (DO) 4-46.</p> <p><u>History and Amount</u></p> <p>The American Recovery and Reinvestment Tax Act of 2009, enacted February 17, 2009, added IRC 48C to the Code. IRS issued Notices 2009-72 and 2013-12 to establish requirements and procedures. The credit is 30 percent of a qualified investment in a qualifying project. (Qualified investment and qualifying project are defined in the Definitions section following.) Taxpayers report their credit on line 7 of Form 3468, <i>Investment Credit</i>. The credit is an investment credit; therefore, the rules for investment credits and IRC 263A apply.</p>	<ul style="list-style-type: none"> ▪ IRC 38 ▪ IRC 39 ▪ IRC 46 ▪ IRC 48C ▪ IRC 49 ▪ IRC 50 ▪ IRC 263A ▪ IRC 465 ▪ IRC 613 ▪ DO 4-46 (Rev. 2) ▪ Notice 2009-72 ▪ Notice 2013-12 ▪ American Recovery and Reinvestment Act of 2009 ▪ Form 3468

Step 1: 48C Credit Process (cont'd)

Examining the Qualifying Advanced Energy Project Credit

[Step 1](#)

Considerations	Resources
<p><u>Credit Approval Process</u></p> <p>To qualify for the IRC 48C credit, taxpayers must do the following:</p> <ul style="list-style-type: none">▪ Apply for the credit to the DOE and the IRS,▪ Be recommended by the DOE to the IRS,▪ Receive an allocation letter (defined in the Definitions section) from the IRS director specifying the credit amount,▪ Sign an agreement with the IRS,▪ Request certification from the IRS,▪ Receive a certification letter (defined in the Definitions section) from the IRS and▪ Place the project in service within three years of the date of the certification letter.	<ul style="list-style-type: none">▪ IIRC 46(c)(4)▪ IRC 46(d)▪ DO 4-46 (Rev. 2)▪ Notice 2009-72▪ Notice 2013-12

Step 1: 48C Credit Process (cont'd)

Examining the Qualifying Advanced Energy Project Credit

[Step 1](#)

Considerations	Resources
<p><u>Claiming the Credit</u></p> <p>Taxpayers may claim the credit using one of three methods. Regardless of the method used, the total amount of credit for a IRC 48C project is limited to the total amount allocated to the project.</p> <ol style="list-style-type: none">1. The default method is to claim the credit when the project is placed in service.2. The qualified progress expenditures method (QPEM) (defined in the Definitions section), allowed by IRC 46(c)(4) and 46(d) as in effect on November 4, 1990, allows taxpayers to claim the credit as they incur capital expenditures that are qualified investment. Taxpayers make that election by reporting the credit on their return for the first year in which they incurred qualified progress expenditures, but not before 2010. Taxpayers may not revoke that election without the consent of the IRS Commissioner.3. For projects that consist of several units of property, taxpayers may elect to report the credit in parts over several years as they place each unit of property in service, the partially placed in service method (PPSM).	<ul style="list-style-type: none">▪ IRC 46(c)(4)▪ IRC 46(d)▪ DO 4-46 (Rev. 2)▪ Notice 2009-72▪ Notice 2013-12

Step 1: 48C Credit Process (cont'd)

Examining the Qualifying Advanced Energy Project Credit

[Step 1](#)

Considerations	Resources
<p><u>Delegation Orders</u></p> <p>Delegation Order 4-46 Revision 2 delegates nationwide authority to administer the IRC 48C credit program to the Enterprise Activities Practice Area Director. See IRS director in the Definitions section.</p> <p><u>Appeals</u></p> <p>Notice 2009-72 and Notice 2013-12 provide that a taxpayer may not appeal IRS or DOE decisions related to any matter under those notices to any official of the IRS or DOE.</p>	<ul style="list-style-type: none">▪ DO 4-46 (Rev. 2) ▪ Notice 2009-72▪ Notice 2013-12

Step 2: Allocation and Certification

Examining the Qualifying Advanced Energy Project Credit

Step 2

Determine whether the taxpayer received an allocation and certification for its project(s). Issue IDR1.

Considerations	Resources
<p>Issue an Information Document Request (IDR1) requesting these documents:</p> <ul style="list-style-type: none"> ▪ Complete DOE application for the IRC 48C credit, ▪ Complete IRS application for the IRC 48C credit, ▪ All requests from the DOE or IRS for additional information to supplement the application(s), ▪ All additional information sent to the IRS and/or DOE to supplement the application(s), ▪ All correspondence in any form to and from the DOE related to the IRC 48C credit, ▪ All correspondence in any form to and from the IRS related to the IRC 48C credit, ▪ IRS Allocation letter, ▪ All executed agreements with the IRS for the credit All requests for certification sent to the IRS including all attachments and enclosures, ▪ All requests for additional information related to certification received from the IRS, ▪ All additional information related to certification sent to the IRS, ▪ IRS Certification letter, ▪ Letter to the IRS director notifying that the IRC 48C project was placed in service and ▪ All transaction documents related to a sale or other transfer of the project. 	<ul style="list-style-type: none"> ▪ IRC 48C ▪ Notice 2009-72 ▪ Notice 2013-12 ▪ IDR1 ▪ Sample IRS Allocation Letter ▪ Sample Agreement ▪ Sample IRS Certification Letter

Step 2: Allocation and Certification (cont'd)

Examining the Qualifying Advanced Energy Project Credit

[Step 2](#)

Considerations	Resources
<p>In the event the taxpayer cannot produce any of these documents, contact the EITCPN. It may be able to provide the documents.</p> <p>If the taxpayer did not receive an allocation and certification of IRC 48C credit for its project from the IRS director, then disallow the IRC 48C credit.</p>	<ul style="list-style-type: none">▪ IRC 48C▪ Notice 2009-72▪ Notice 2013-12

Step 3: Credit Exceeds Amount Allocated and Certified

Examining the Qualifying Advanced Energy Project Credit

Step 3

Determine whether the amount of the credit claimed exceeds the amount allocated and certified. Issue an IDR if this situation exists.

Considerations	Resources
<p>Compute the cumulative total IRC 48C credits the taxpayer has reported on line 7, Form 3468, on tax returns from 2009 through the most recently filed return, and compare that amount to the total allocations and certifications the IRS director sent to the taxpayer. If the taxpayer received more than one allocation or certification, issue an IDR for the amounts of credit for each project reported on each return.</p> <p>If the cumulative total amount of IRC 48C credits reported for each project exceeds the total amount of credits allocated and certified for each project, disallow the excess.</p>	<ul style="list-style-type: none">▪ IRC 48C▪ Notice 2009-72▪ Notice 2013-12▪ Form 3468

Step 4: Method of Computing Qualified Investment

Examining the Qualifying Advanced Energy Project Credit

Step 4

Determine the method of computing qualified investment. Issue IDR2.

Considerations	Resources
<p>Issue IDR2 for:</p> <ul style="list-style-type: none"> ▪ An explanation of the method the taxpayer used to report the credit (QPEM, PPSM or claiming the credit when the whole project is placed in service, ▪ Workpapers which show the computation of the amount of qualified investment reported on all the returns on which the taxpayer claimed an IRC 48C credit for 2009 and following years and ▪ A detailed list of all the eligible property and other costs included in qualified investment or included in the computation workpapers. <p>Determine the following based on the definitions of these terms in the Definitions section:</p> <ol style="list-style-type: none"> 1. Whether the taxpayer: <ul style="list-style-type: none"> - Properly elected to claim the credit using the QPEM or - Qualifies to claim the credit using the PPSM or - Reported the qualified investment for a project fully placed in service; and 2. Whether the taxpayer qualifies for the QPEM or the PPSM. <p> DECISION POINT: If the taxpayer does not qualify for the method it used, disallow the credit. The taxpayer may be able to claim the credit under another method for which it qualifies on the appropriate return.</p>	<ul style="list-style-type: none"> ▪ IRC 46(c)(4) as in effect on 11/4/1990 ▪ IRC 46(d) as in effect on 11/4/1990 ▪ IRC 48C ▪ Notice 2009-72 ▪ Notice 2013-12 ▪ IDR2

Step 5: Qualified Investment – Fully Placed in Service

Examining the Qualifying Advanced Energy Project Credit

Step 5

Determine qualified investment for a project fully placed in service (default method). Issue an IDR if needed.

Considerations	Resources
<p>If the taxpayer used or is required to use the default method, issue an IDR for verification of the date the project was placed in service.</p> <p>Complete the following steps, using an IRS engineer if needed:</p> <ul style="list-style-type: none">▪ Determine whether the project was placed in service by the deadline,▪ If it was not, then disallow the credit in full and skip the rest of this step,▪ Select a sample of expenditures,▪ Request verification of those expenditures and▪ Disallow all expenditures incurred before February 17, 2009, as unallowable qualified investment.	<ul style="list-style-type: none">▪ IRC 48C▪ Notice 2009-72▪ Notice 2013-12

Step 6: Qualified Investment - QPEM

Examining the Qualifying Advanced Energy Project Credit

Step 6

Determine the qualified investment under the QPEM. Issue an IDR if the situation in this step exists.

Considerations	Resources
<p>If the taxpayer properly elected the QPEM, issue an IDR for the following:</p> <ul style="list-style-type: none"> ▪ A detailed list of all qualified progress expenditures made on the project during the year under examination, ▪ Workpapers showing how the amount of qualified investment was determined and ▪ Evidence of the date the taxpayer placed the project in service, such as reports from contractors, production records or internal project status reports. <p>Complete the following steps:</p> <ul style="list-style-type: none"> ▪ Select a sample of expenditures, ▪ Request verification of those expenditures by IDR, ▪ Disallow all expenditures incurred before February 17, 2009, as unallowable qualified investment, ▪ Review the documents provided and determine the amount of allowable qualified investment (see the definition of qualified investment in the Definitions section.) and ▪ If the amount of qualified investment claimed on the return differs from the amount allowable, adjust qualified investment to the amount allowable, recompute the credit and adjust the amount of credit on the return. 	<ul style="list-style-type: none"> ▪ IRC 46(c)(4) as in effect on 11/4/1990 ▪ IRC 46(d) as in effect on 11/4/1990 ▪ IRC 48C ▪ Notice 2009-72 ▪ Notice 2013-12

Step 7: Qualified Investment – Partially Placed in Service

Examining the Qualifying Advanced Energy Project Credit

Step 7

Determine the qualified investment under the QPEM. Issue an IDR if the situation in this step exists.

Considerations	Resources
<p>If the taxpayer is allowed to use the PPSM, issue an IDR for:</p> <ul style="list-style-type: none">▪ A description of the project identifying the units of property,▪ An explanation and supporting documents to show that they are separate units of property,▪ The cost breakdown and workpapers for the project costs,▪ A detailed list of the costs in the application for each unit of property,▪ A detailed list of actual costs included in each unit of property,▪ A detailed list of all amounts of qualified investment, including the date that each was incurred and its unit of property and▪ Verification of the date each unit of property was placed in service.	<ul style="list-style-type: none">▪ IRC 48C▪ Notice 2009-72▪ Notice 2013-12

Step 7: Qualified Investment – Partially Placed in Service (cont'd)

Examining the Qualifying Advanced Energy Project Credit

[Step 7](#)

Considerations	Resources
<p>Complete the following steps, using an IRS engineer if needed:</p> <ul style="list-style-type: none"> ▪ Determine the allowable units of property, ▪ Determine the assets includible in eligible property in each unit of property, ▪ Determine the correct amount of qualified investment for each unit of property, ▪ Determine the year each unit of property was placed in service, ▪ Determine whether each unit of property was placed in service by the taxpayer's deadline. ▪ Select a sample of expenditures, ▪ Request verification of those expenditures Disallow all expenditures incurred before February 17, 2009, as unallowable qualified investment, ▪ Disallow all investments that are not allowable as qualified investment and ▪ Recompute the qualified investment of each unit of property. 	<ul style="list-style-type: none"> ▪ IRC 48C ▪ Notice 2009-72 ▪ Notice 2013-12

Step 8: Qualified Investment Which is at Risk

Examining the Qualifying Advanced Energy Project Credit

Step 8

Determine the amount of qualified investment that is at risk. Issue IDR3.

Considerations	Resources
<p>Issue IDR3 for an explanation and supporting documents to verify that all the costs that were included in qualified investment are at risk. Costs that are not at risk, for example, include investments financed with nonrecourse financing such as guarantees, stop-loss agreements or amounts borrowed from a person who has an interest in the project other than as a creditor.</p> <p>If the amount that is at risk differs from the amount the taxpayer included in its computations of the qualified investment claimed on the return, adjust the amount at risk by the difference and adjust the credit.</p>	<ul style="list-style-type: none">▪ IRC 48C▪ IRC 49▪ IRC 465▪ Notice 2009-72▪ Notice 2013-12▪ IDR3

Step 9: Costs Includible – Qualified Investments under 263A

Examining the Qualifying Advanced Energy Project Credit

Step 9

Determine costs includible in qualified investment under IRC 263A. Issue IDR4 and an optional IDR if the situation in this step exists.

Considerations	Resources
<p>Issue IDR4 for an explanation along with the workpapers and supporting documents that identify all of the costs included in the qualified investment under IRC 263A, and compute the amount of each item of cost.</p> <p>If any costs represent a material audit risk, issue an IDR for verification that the costs are includible in the qualified investment. (IRC 263A applies to capitalization of qualified investment the same way it applies to other capital costs.)</p> <p>Determine the amount of IRC 263A costs includible in the qualified investment. If the amount claimed differs from the amount allowable, adjust qualified investment by the difference and recompute the credit.</p>	<ul style="list-style-type: none">▪ IRC 48C▪ IRC 263A▪ Notice 2009-72▪ Notice 2013-12▪ IDR4

Step 10: 48C Project Located Where Required

Examining the Qualifying Advanced Energy Project Credit

Step 10

Determine whether the IRC 48C project is located where required. Issue IDR5.

Considerations	Resources
<p>Issue IDR5 to confirm the location of the completed project. Documents that may verify the location include:</p> <ul style="list-style-type: none">▪ Press releases by the taxpayer posted on its website,▪ Descriptions of the project on the taxpayer’s website or in its publications or SEC filings,▪ The address in invoices and▪ The address in contracts with contractors or vendors or shipping documents for products the project produced. <p>Review the application and any correspondence between the taxpayer and IRS regarding changes in the project location.</p> <p>Use internet research to confirm the location. If internet research does not confirm the location, have an IRS engineer tour the facility to confirm that the IRC 48C project is at that location. If an engineer is not available to tour the facility, a revenue agent should take the tour. If the locations are not the same, contact the EITCPN for guidance.</p>	<ul style="list-style-type: none">▪ IRC 48C▪ Notice 2009-72▪ Notice 2013-12

Step 11: Facilities – Same as Described in Application

Examining the Qualifying Advanced Energy Project Credit

Step 11

Ensure that the completed projects are the same as described in the application.

Considerations	Resources
<p>Compare the response to IDR5 to the description of the project in the application and to the response to IDR2. Identify all differences in the description of the project. Review any correspondence between the taxpayer and the IRS regarding changes in the project.</p> <p> CONSULTATION: Have an IRS engineer tour the IRC 48C project to confirm that the project is the same as described in the application (as modified by changes approved by the IRS director, if any), taking into account the differences you identified in your review of the response to IDR2 and IDR5. If an engineer is not available to tour the facility, then a revenue agent should take the tour. If the completed project is not the same, contact the EITCPN for guidance.</p>	<ul style="list-style-type: none">▪ IRC 48C▪ Notice 2009-72▪ Notice 2013-12

Step 12: Qualified Investment – Related Party Transactions

Examining the Qualifying Advanced Energy Project Credit

Step 12

Ensure that transactions with a related party do not result in overstatement of qualified investment. Issue IDR6.

Considerations	Resources
<p>Issue IDR6 to request a complete organization chart that details all related entities as of the beginning and end of the year under examination. Obtain a yK1 report for the taxpayer and related entities to verify all related entities.</p> <p> CONSULTATION: Review the responses to IDR3, IDR4, IDR9, the organization chart and the yK1 report to identify all related entities. If the audit risk is significant that the taxpayer overstated the basis of some eligible property because of a transaction with a related entity, have an international examiner review the transaction. An international examiner review is required regardless of whether the related party is domestic or foreign.</p>	<ul style="list-style-type: none">▪ IRC 48C▪ Notice 2009-72▪ Notice 2013-12▪ IDR6

Step 13: Carryback and Carryover

Examining the Qualifying Advanced Energy Project Credit

Step 13

Determine whether any carryback or carryover is correct. Issue IDR7.

Considerations	Resources
<p>Issue IDR7 to request a schedule of all carryback and carryovers of IRC 48C credit and obtain the workpapers computing the amounts and years of the carryback or carryover.</p> <p>Review the reconciliation of the credit allowable to the amounts of credit claimed from step 3.</p> <p>Verify that the total General Business Credit (GBC) amount is accurately limited. Under IRC 38(c)(1), the combined GBCs are limited based on the excess of the taxpayer's net income over the greater of:</p> <ul style="list-style-type: none"> ▪ The tentative minimum tax for the taxable year, or ▪ The net of the taxpayer's net regular tax liability (less \$25,000*) multiplied by 25%. <p>* Replace \$25,000 with \$12,500 for married individuals filing separately. (See IRC 38(c)(6) for additional requirements/limitations.)</p> <p>If the (limited) GBC is greater than the taxpayer's tax liability for the year, verify that the taxpayer followed the ordering of the GBC credits per IRC 38(d). Apply investment credits in the order listed under IRC 46. Use credit carryforwards first, then current year credits followed by carryback credits.</p>	<ul style="list-style-type: none"> ▪ IRC 38 ▪ IRC 39 ▪ IRC 46 ▪ IRC 48C ▪ Notice 2009-72 ▪ Notice 2013-12 ▪ Rev. Rul. 82-49 ▪ IDR7

Step 13: Carryback and Carryover (cont'd)

Examining the Qualifying Advanced Energy Project Credit

[Step 13](#)

Considerations	Resources
<p>If there is a recapture event, the carryforward may need to be reduced. See Form 4255. For tax years involving Net Operating Losses (NOLs), carryforwards or barred refunds, see Rev Ruling 82-49.</p>	<ul style="list-style-type: none">▪ IRC 38▪ IRC 39▪ IRC 48C▪ Notice 2009-72▪ Notice 2013-12▪ Rev. Rul. 82-49▪ Form 4255

Step 14: Project Withdrawn from Service

Examining the Qualifying Advanced Energy Project Credit

Step 14

Determine whether the taxpayer has withdrawn a project from service. Issue IDR8.

Considerations	Resources
<p>Issue IDR8 for the following:</p> <ul style="list-style-type: none">▪ A schedule of dates when the IRC 48C project and all units of property were idle,▪ All documents stating any reason(s) the project or units of property were idle,▪ All documents containing information related to idleness being temporary or permanent,▪ All documents related to a disposition of the project or units of property,▪ All documents related to abandonment of the project or units of property, and▪ A schedule of credit amounts recaptured because the taxpayer withdrew the project or units of property from service and workpapers showing computation of the amount(s) recaptured. <p>Determine the following:</p> <ul style="list-style-type: none">▪ Whether the project or a unit of property has been withdrawn from service,▪ The date it was withdrawn,▪ The amount of credit that the taxpayer reported for it,▪ The amount of credit required to be recaptured per IRC 50 and▪ The amount of credit the taxpayer recaptured. <p>Adjust the recapture, if the amount of credit recaptured differs from the amount required to be recaptured.</p>	<ul style="list-style-type: none">▪ IRC 48C▪ IRC 50▪ Notice 2009-72▪ Notice 2013-12▪ IDR8

Step 15: Decreased Basis of Eligible Property Properly

Examining the Qualifying Advanced Energy Project Credit

Step 15

Determine whether the taxpayer decreased the basis of eligible property properly. Issue IDR9.

Considerations	Resources
<p>Issue IDR9 for the following:</p> <ul style="list-style-type: none"> ▪ A depreciation schedule including all eligible property included in the qualified investment and ▪ Workpapers showing the following for each item of eligible property: <ul style="list-style-type: none"> - Original basis, - Amount of IRC 48C credit claimed in the current or any prior year for that property, - Decrease in basis by the amount of the IRC 48C credit claimed, - Adjusted basis, - Depreciation deducted on the current year's return and - Reconciliation of decreases in basis with the amounts of IRC 48C credits claimed on the current and prior years' returns. <p>Determine whether the taxpayer decreased the basis of each item of eligible property included in qualified investment by the credit claimed for that item. This must be done on an item-by-item basis.</p>	<ul style="list-style-type: none"> ▪ IRC 48C ▪ IRC 50(c) ▪ Notice 2009-72 ▪ Notice 2013-12 ▪ IDR9

Definitions

Examining the Qualifying Advanced Energy Project Credit

Description

- Agreement for an IRC 48C credit - An agreement between the IRS and a taxpayer who received an allocation of an IRC 48C credit. The agreements executed under Notice 2009-72 are in the form in appendix A of that notice. The agreements executed under Notice 2013-12 are in the form in appendix A of that notice. For further information, contact the Energy and Investment Tax Credit Practice Network.
- Allocation of an IRC 48C credit - The letter that the IRS director sent to a taxpayer accepting its application for an IRC 48C credit for a specific project and allocating a specific amount of credit to that project. Taxpayers who received multiple allocations receive a separate letter for each allocation. For further information, contact the Energy and Investment Tax Credit Practice Network.
- Application - The application sent to the IRS (IRS application), which included a copy of the application sent directly to DOE (the DOE application).
- At Risk - The taxpayer's investment in the IRC 48C project that meets the requirements in IRC 49 and IRC 465.
- Certification of an IRC 48C credit - A letter the IRS director sent to a taxpayer stating that:
 - The documentation the taxpayer submitted meets the requirements for certification,
 - Part or all of the qualified investment in the project is eligible for an IRC 48C credit, and
 - Each certification letter is specific to the project identified in the letter.
- DOE Application - The application sent to DOE. For further information, contact the Energy and Investment Tax Credit Practice Network.
- IRS Application - The application a taxpayer sent to the IRS director. For further information, contact the Energy and Investment Tax Credit Practice Network.

Definitions (cont'd)

Examining the Qualifying Advanced Energy Project Credit

Description

- Forfeiture of an IRC 48C credit - The taxpayer does not qualify for any part of the credit allocated to its project.
- Investment Credit - A tax credit allowed by IRC 46 and reported on Form 3468. The total amount of IRC 46 credits is one of the general business credits in IRC 38 and is reported on Form 3800.
- IRS Director - The Large Business & International (LB&I) Director who is delegated nationwide authority to administer the IRC 48C credit program under Delegation Order 4-46, 4-46 Revision 1 or 4-46 Revision 2. The first order delegated that authority to the Natural Resources and Construction Industry Director. Revision 1 delegated that authority to the Central Compliance Practice Area Director. Revision 2 delegated that authority to the Enterprise Activities Practice Area Director.
- Manufacturing Facilities - These are “facilities that make, or process raw materials into, finished products (or accomplish any intermediate stage in that process),” as defined in Notices 2009-72 and 2013-12.
- Partially Placed in Service - The taxpayer placed in service some unit(s) of property in a project during a year and claimed the 48C credit on that year’s return for the units of property placed in service that year. Unlike the Qualified Progress Expenditures Method, the taxpayer may elect this method at any time that the statute of limitations on a return is open.
- Placed In Service - Notices 2009-72 and 2013-12 define this as the date when “the property is placed in a condition or state of readiness and availability for a specifically assigned function. See section 1.46-3(d)(1)(ii) of the Income Tax Regulations.”
- Qualified Investment - The basis in eligible property that is:
 1. part of a qualifying advanced energy project and
 2. placed in service during the year.Investments incurred before February 17, 2009, may not be included. See the definitions of eligible property and placed in service.

Definitions (cont'd)

Examining the Qualifying Advanced Energy Project Credit

Description

- Qualified progress expenditures method (QPEM) - An elective method of claiming an IRC 48C credit that may be used for self-constructed assets (as defined in former IRC 46(d)(5)(A)). Taxpayers who elect this method report an amount of IRC 48C credit each year they make qualified investment in their project rather than when they place the project in service. The amount of their IRC 48C credit each year is 30 percent of the qualified investment they made that year up to the cumulative total amount of credit allocated. Taxpayers must comply with the rules that existed in IRC 46(c)(4) and IRC 46(d) as in effect on November 4, 1990. Taxpayers make this election by reporting the amount of qualified investment in an IRC 48C project on Form 3468 filed with the original return for the first year the taxpayer incurs qualified investment for its project. The taxpayer may not make this election on an amended return filed after the time prescribed for filing the original return (including extensions) for that taxable year. Once made, the taxpayer may not change the election without the consent of the IRS Commissioner. If a taxpayer forfeits an IRC 48C credit, part of which the taxpayer has already claimed on a filed return, the taxpayer must recapture the credit claimed.
- Qualifying Advanced Energy Project - A project that meets these requirements:
 - Establishes, expands or re-equips a manufacturing facility for the production of SAEP or property that will become SAEP after further manufacture,
 - Has received an IRS certification, and
 - Does not produce any property that is used in the refining or blending of any transportation fuel, unless the property is used solely in the refining or blending of renewable fuels.
- Recapture of an IRC 48C credit - The taxpayer increases tax on a return by part of or the entire amount of a credit claimed in a prior year's return. Recapture is required when an event occurs during the five years following the date the taxpayer placed the project in service that results in the project losing its qualification for the credit. See Notices 2009-72 and 2013-12. Recapture is pro rata. For further information, contact the Energy and Investment Tax Credit Practice Network.
- Significant Change to an IRC 48C project - Any change that a reasonable person would conclude might have adversely influenced DOE in recommending or ranking the project or the IRS in accepting the application had they known about the change when they were considering the application. The authority to determine whether a change in a project is significant is reserved to the Director of the Enterprise Activities Practice Area.

Definitions (cont'd)

Examining the Qualifying Advanced Energy Project Credit

Description

- Specified Advanced Energy Property (SAEP) - the product to be made in the new, expanded or re-equipped manufacturing facility to which the IRC 48C credit was allocated. For an IRC 48C project to qualify, the product to be manufactured in the facility must be one of the following types of property (other than property which is used in the refining or blending of any transportation fuel other than renewable fuels):
 - Property designed to be used to produce energy from the sun, wind, geothermal deposits (within the meaning of IRC 613(e)(2)) or other renewable resources,
 - Fuel cells, microturbines, or an energy storage system for use with electric or hybrid-electric motor vehicles,
 - Electric grids to support the transmission of intermittent sources of renewable energy, including storage of such energy,
 - Property designed to capture and sequester carbon dioxide emissions,
 - Property designed to refine or blend renewable fuels or to produce energy conservation technologies (including energy-conserving lighting technologies and smart grid technologies),
 - New qualified plug-in electric drive motor vehicles (as defined by IRC 30D), qualified plug-in electric vehicles (as defined by IRC 30(d), or components which are designed specifically for use with such vehicles, including electric motors, generators, and power control units, or
 - Other advanced energy property designed to reduce greenhouse gas emissions as may be determined by the Treasury Secretary.
- Successor In Interest for purposes of the IRC 48C credit - One who acquires an ownership interest in an IRC 48C project after an allocation has been made to the project. A successor in interest must execute a new agreement with IRS within a specified period of time, or the original owner of the project who received the allocation is required to forfeit or recapture the credit, per Notices 2009-72 and 2013-12.
- Unit of Property - Defined based on the functional interdependence standard per Treas. Reg. 1.263(a)-3(e)(1). All of the components that are functionally interdependent comprise a single unit of property. Components are functionally interdependent if one component being placed in service is dependent on the other component being placed in service, as stated in Treas. Reg. 1.263(a)-3(e)(3).

Other Considerations / Impact to Audit

Examining the Qualifying Advanced Energy Project Credit

Considerations	Resources
<ul style="list-style-type: none">▪ The examiner usually must adjust depreciation after adjusting an IRC 48C credit.	<ul style="list-style-type: none">▪ IRC 167▪ IRC 168

Index of Referenced Resources

Examining the Qualifying Advanced Energy Project Credit
IDR1
IDR2
IDR3
IDR4
IDR5
IDR6
IDR7
IDR8
IDR9
IRC 30
IRC 30D
IRC 38
IRC 39
IRC 46
IRC48C
IRC 49

Index of Referenced Resources (cont'd)

Examining the Qualifying Advanced Energy Project Credit

IRC 50

IRC 167

IRC 168

IRC 263A

IRC 465

IRC 613

Treas. Reg. 1.47-1

Treas. Reg. 1.48-7

Treas. Reg. 1.263(a)-3(e)

Rev. Rul. 82-49

Notice 2009-72

Notice 2013-12

DO 4-46 (Rev.2)

Form 3468

Form 3800

Form 4255

Index of Referenced Resources (cont'd)

Examining the Qualifying Advanced Energy Project Credit

Sample Agreement

Sample IRS Allocation Letter

Sample IRS Certification Letter

American Recovery and Reinvestment Act of 2009

Training and Additional Resources

Examining the Qualifying Advanced Energy Project Credit

Type of Resource	Description(s)
Issue Toolkits	<ul style="list-style-type: none">▪ Job Aid -- Risk Factors for IRC 48C▪ Job Aid – IRC 48C Advanced Energy Project Credit

Glossary of Terms and Acronyms

Term/Acronym	Definition
DOE	Department of Energy
EITCPN	Energy and Investment Tax Credit Practice Network
GBC	General Business Credit
IRC	Internal Revenue Code
IDR	Information Document Request
NOL	Net Operating Loss
PPSM	Partially Placed in Service Method
QPEM	Qualified Progress Expenditure Method
SAEP	Specified Advanced Energy Property
Treas. Reg.	Treasury Regulation
yK1	Tool for agents to research related entities, Flow-Through and complex parent/subsidiary relationships

Index of Related Practice Units

Associated UIL(s)	Related Practice Unit	DCN
	None at this time.	