

Name(s) shown on return

Identifying number

**Part I Current Year Credit**

<b>Electricity produced by closed-loop biomass facility placed in service after 1992 and before July 1, 1999:</b>		
1	Kilowatt hours produced and sold . . . . .	1
2	Phaseout adjustment (see instructions) . . . . . \$	2
3	Credit for electricity produced by closed-loop biomass facility. Subtract line 2 from line 1 . . . . .	3
<b>Electricity produced by wind facility placed in service after 1993 and before July 1, 1999:</b>		
4	Kilowatt hours produced and sold (see instructions) . . . . .	4
5	Phaseout adjustment (see instructions) . . . . . \$	5
6	Credit for electricity produced by wind facility. Subtract line 5 from line 4 . . . . .	6
7	Total credit before reduction. Add lines 3 and 6 . . . . .	7
<b>Reduction for government grants, subsidized financing, and other credits:</b>		
8	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 . . . . .	8
9	Total of additions to the capital account for the project for this and all prior tax years . . . . .	9
10	Divide line 8 by line 9. Show as a decimal carried to 4 places . . . . .	10
11	Multiply line 7 by line 10 . . . . .	11
12	Current year credit. Subtract line 11 from line 7 . . . . .	12
13	Renewable electricity production credit(s) from flow-through entities:	13
	<b>If you are a—</b>	<b>Then enter the credit(s) from—</b>
	a Shareholder . . . . .	Schedule K-1 (Form 1120S), lines 12d, 12e, or 13 . . . . .
	b Partner . . . . .	Schedule K-1 (Form 1065), lines 12c, 12d, or 13 . . . . .
	c Beneficiary . . . . .	Schedule K-1 (Form 1041), line 14 . . . . .
14	Total current year credit. Add lines 12 and 13 . . . . .	14

**Part II Tax Liability Limit (See Who Must File Form 3800 to find out if you complete Part II or file Form 3800.)**

15	Regular tax before credits:	
	• Individuals. Enter amount from Form 1040, line 40 . . . . .	}
	• Corporations. Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1) . . . . .	
	• Other filers. Enter regular tax before credits from your return . . . . .	
16a	Credit for child and dependent care expenses (Form 2441, line 9) . . . . .	16a
b	Credit for the elderly or the disabled (Schedule R (Form 1040), line 20) . . . . .	16b
c	Child tax credit (Form 1040, line 43) . . . . .	16c
d	Education credits (Form 8863, line 18) . . . . .	16d
e	Mortgage interest credit (Form 8396, line 11) . . . . .	16e
f	Adoption credit (Form 8839, line 14) . . . . .	16f
g	District of Columbia first-time homebuyer credit (Form 8859, line 11) . . . . .	16g
h	Foreign tax credit . . . . .	16h
i	Possessions tax credit (Form 5735, line 17 or 27) . . . . .	16i
j	Credit for fuel from a nonconventional source . . . . .	16j
k	Qualified electric vehicle credit (Form 8834, line 19) . . . . .	16k
l	Add lines 16a through 16k . . . . .	16l
17	Net regular tax. Subtract line 16l from line 15 . . . . .	17
18	Alternative minimum tax:	
	• Individuals. Enter amount from Form 6251, line 28 . . . . .	}
	• Corporations. Enter amount from Form 4626, line 15. . . . .	
	• Estates and trusts. Enter amount from Form 1041, Schedule I, line 39. . . . .	
19	Net income tax. Add lines 17 and 18 . . . . .	19
20	Tentative minimum tax (see instructions) . . . . .	20
21	If line 17 is more than \$25,000, enter 25% (.25) of the excess (see instructions) . . . . .	21
22	Enter the greater of line 20 or line 21 . . . . .	22
23	Subtract line 22 from line 19. If zero or less, enter -0- . . . . .	23
24	Renewable electricity production credit allowed for current year. Enter the smaller of line 14 or line 23 here and on Form 1040, line 47; Form 1120, Schedule J, line 4d; Form 1120-A, Part I, line 2a; Form 1041, Schedule G, line 2c; or the applicable line of your return . . . . .	24

## General Instructions

Section references are to the Internal Revenue Code.

### Purpose of Form

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

### How To Figure the Credit

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**).

The credit is proportionately phased out over a 3-cent range when the reference price (see **Definitions**) exceeds the adjusted threshold price (see next paragraph).

Both the 1.5-cent credit rate and the 8-cent threshold price are adjusted for inflation. The reference price and the inflation adjustment factor (IAF) for the calendar year are published in the Federal Register by April 1.

If the reference price is less than the threshold price (adjusted by the IAF), there is no reduction. 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 above the adjusted threshold price, there is a phaseout adjustment on lines 2 and 5 of Form 8835.

**Example:** If the reference price is 10.0¢ and the adjusted threshold price is 9.0¢, reduce the credit by  $\frac{1}{3}$  ( $(10.0¢ - 9.0¢) \div 3¢ = \frac{1}{3} = .3333$ ). 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. This also applies to line 5 of the form.

The credit is also reduced for any government grants, subsidized financing, and other credits. See **Line 8** below for details.

**Note:** For calendar year 1998, per Notice 98-27, 1998-18 I.R.B. 14, the IAF is 1.1240 and the reference price per Kwh is 0 cents for facilities producing electricity from closed-loop biomass energy resources and is 4.95 cents for facilities producing electricity from wind energy resources. Therefore, the credit is 1.7 cents per Kwh ( $1.5 \times 1.124$  rounded to the nearest .1 cent) and the adjusted threshold price is increased to 9.0 cents ( $8 \times 1.124$  rounded to the nearest .1 cent).

### Definitions

- **Qualified energy resources** means closed-loop biomass and wind.
- **Closed-loop biomass** means the use of any organic material from a plant that is planted exclusively for use at a qualified facility to produce electricity. It does not include the use of any waste materials (such as scrap wood, manure, municipal or agricultural waste) or standing timber.
- **Qualified facility** means any taxpayer-owned facility using closed-loop biomass to produce electricity that is originally placed in service after December 31, 1992, and before July 1, 1999. It also means any taxpayer-owned facility using wind to produce electricity. This facility must be originally placed in service after December 31, 1993, and before July 1, 1999 (see Rev. Rul. 94-31, 1994-1 C.B. 16, for details).
- **Reference price** means the annual average contract price per kilowatt hour of electricity generated from the same qualified energy resource and sold in the previous year in the United States as determined by the Secretary of the Treasury.
- **Credit period** means the 10-year period beginning with the date the facility is placed in service.

- **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.

### Specific Instructions

Figure any renewable electricity production credit from your trade or business on lines 1 through 12. Skip lines 1 through 12 if you are claiming only a credit that was allocated to you from an S corporation, partnership, estate, or trust.

**Fiscal year taxpayers.** If you have sales in 1998 and 1999 and the credit rate on line 1 or 4 or the phaseout adjustment on line 2 or 5 is different for 1999, 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 lines 1 and 2 or lines 4 and 5. Attach the computations to Form 8835 and write "FY" in the margin.

**Line 1.** Enter the kilowatt hours of electricity produced and sold during 1998 from a facility using closed-loop biomass as the renewable resource and multiply by \$.017. The \$.017 rate will also apply to 1999 sales if the 1999 IAF is less than 1.1667. If the 1999 IAF causes a rate increase, fiscal year filers with 1999 sales must figure line 1 as explained under **Fiscal year taxpayers**.

**Line 2.** There is no phaseout adjustment for calendar year 1998. Calendar year filers enter zero on line 2. Fiscal year filers with sales in 1999 also enter zero if the published 1999 reference price is equal to or less than the 1999 adjusted threshold price. If the 1999 reference price exceeds the 1999 adjusted threshold price, the phaseout adjustment applies for 1999 sales. See **How To Figure the Credit** for figuring the adjustment.

**Line 4.** Enter the kilowatt hours of electricity produced and sold during 1998 from a qualified wind facility and multiply by \$.017. The \$.017 rate will also apply to 1999 sales if the 1999 IAF is less than 1.1667. If the 1999 IAF causes a rate increase, fiscal year filers with 1999 sales must figure line 4 as explained under **Fiscal year taxpayers**.

**Line 5.** There is no phaseout adjustment for calendar year 1998. Calendar year filers enter zero on line 5. Fiscal year filers with sales in 1999 also enter zero if the published 1999 reference price is equal to or less than the 1999 adjusted threshold price. If the 1999 reference price exceeds the 1999 adjusted threshold price, the phaseout adjustment applies for 1999 sales. See **How To Figure the Credit** for figuring the adjustment.

**Line 8.** Enter the sum, for this and all prior tax years, of (a) grants provided by the United States, a state, or political subdivision of a state for the project; (b) proceeds of an issue of state or local government obligations used to provide financing for the project, the interest of which is tax-exempt; (c) total of subsidized energy financing provided directly or indirectly under a Federal, state, or local program provided for the project; and (d) the amount of any other credit allowable for any property that is part of the project.

**Line 9.** Enter the total amount of additions to the capital account for the project for this and all prior tax years.

**Line 14.**

*S corporations and partnerships.* Allocate the line 14 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.* The line 14 credit is allocated 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 line 14 entry, 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.

### Who Must File Form 3800

If for this year you have more than one of the credits included in the general business credit, a carryback or carryforward of any of these credits, a credit from a passive activity, or general credits from an electing large partnership, you must complete **Form 3800, General Business Credit**, instead of completing Part II of Form 8835 to figure the tax liability limit.

The general business credit consists of the following credits: investment, work opportunity, welfare-to-work, alcohol used as fuel, research, low-income housing, enhanced oil recovery, disabled access, renewable electricity production, Indian employment, employer social security and Medicare taxes paid on certain employee tips, orphan drug, contributions to selected community development corporations, and trans-Alaska pipeline liability fund.

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

**Line 20.** Although you may not owe alternative minimum tax (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, enter the TMT that was figured on the appropriate AMT form or schedule:

- **Individuals:** Enter the amount from Form 6251, line 26.
- **Corporations:** Enter the amount from Form 4626, line 13.
- **Estates and trusts:** Enter the amount from Form 1041, Schedule I, line 37.

**Line 21.** See section 38(c)(3) 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 24.** If you cannot use part of the credit because of the tax liability limit (line 23 is less than line 14), carry the excess back 1 year and then forward 20 years. See the separate Instructions for Form 3800 for details.

**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: **Recording** 10 hr., 31 min.; **Learning about the law or the form** 12 min.; **Preparing and sending the form to the IRS** 23 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.

