



# Instructions for Form 3800

## General Business Credit

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

### What's New

- If your only source of credits listed on Form 3800 is from pass-through entities, you may not be required to complete the source credit form. Instead, you may be able to report the credit directly on Form 3800. For more details, see *Part I—Current Year Credit* on page 2.
- Line 1f, relating to the Enhanced Oil Recovery Credit (Form 8830), is to be completed only by those taxpayers who are not partnerships or S corporations, and whose only source of this credit is from those pass-through entities.
- We added new line 1u to accommodate the energy efficient appliance credit (new section 45M).
- We added new line 1y to accommodate the mine rescue team training credit (new section 45N).
- We deleted Schedule A—Additional General Business Credit Allowed by Code Section 38(c)(2) because this provision has expired.

### General Instructions

#### Who Must File

You must file Form 3800 to claim any of the general business credits (GBC) listed on lines 1a through 1aa. Three of the general business credits have special tax liability limits and are not reported on Form 3800. These are:

- The empowerment zone and renewal community employment credit from Form 8844;
- The alcohol fuel credit from Form 6478; and
- The renewable electricity, refined coal, and Indian coal production credit from Section B of Form 8835.

#### Carryback and Carryforward of Unused Credit

If you cannot use part or all of the credit because of the tax liability limit (line 19 is less than line 8), carry the unused credit back one tax year. To carry back an unused credit, file an amended

return (Form 1040X, 1120X, or other amended return) for the prior tax year or an application for tentative refund (Form 1045, Application for Tentative Refund, or Form 1139, Corporation Application for Tentative Refund). Generally, if you file an application for a tentative refund, it must be filed by the end of the tax year following the tax year in which the credit arose.

**Note.** No part of the unused credit for any year attributable to any credit shall be carried back to any tax year before the first tax year for which that credit was first allowable. See the *Credit Ordering Rule* to determine which credits are allowed first.

If you have an unused credit after carrying it back, carry it forward to each of the 20 tax years after the year of the credit. Any qualified business credits (as defined in section 196(c)) that are unused after the last tax year of the 20-year carryforward period (or at the time an individual taxpayer dies or other taxpayer, such as a corporation or partnership, ceases to exist) may be taken as a deduction in the earlier of:

- The tax year following the last tax year of the 20-year carryforward period or
- The tax year in which the individual taxpayer dies or other taxpayer ceases to exist.

For purposes of this special deduction, you can take into account only half of the investment credit (other than the rehabilitation credit or a credit to which section 48(q)(3) applies as in effect prior to repeal by the Revenue Reconciliation Act of 1990).

#### Change in Filing or Marital Status

Your general business credit is limited to your tax liability. Therefore, if you filed a joint return in a carryback or carryforward year and your marital status or filing status has changed, you may need to figure your separate tax liability in that carryback or carryforward year. This would apply if:

- You filed as single in the credit year, but filed a joint return in the carryback or carryforward year;
- You filed a joint return in the credit year, but filed a joint return with a different spouse in the carryback or carryforward year; or

- You were married and filed a separate return in the credit year, but filed a joint return with the same or a different spouse in the carryback or carryforward year.

Determine your separate tax liability in the carryback or carryforward year as follows.

1. Figure your tax for the carryback or carryforward year as though you were married filing a separate return.
2. Figure your spouse's tax in that year as though he or she was married filing a separate return.
3. Add the amounts in steps 1 and 2.
4. Divide the amount in step 1 by the amount in step 3. The result should be rounded to at least three decimal places.
5. Multiply the decimal in step 4 by the total tax shown on your joint return for the carryback or carryforward year. The result is your separate tax liability and a carryback or carryforward credit is applied against this amount only.

Although your carryback or carryforward of the credit is limited to your separate tax liability, the amount of your refund resulting from the carryback or carryforward is further limited to your share of the joint overpayment. This is found by subtracting your separate tax liability (as determined above) from your contribution toward the payment.

Unless you have an agreement or clear evidence of each spouse's contribution toward the payment of the joint liability, your contribution includes the tax withheld on your wages and your share of the joint estimated tax or tax paid with the return. Your share of these payments is found by using the same formula used in determining your separate tax liability. Substitute the joint estimated tax, or tax paid with the return, for the tax in step 5. If the original return for the carryback year resulted in an overpayment, reduce your contribution by your share of the refund.

Attach a copy of the computation to your amended return or application for tentative refund.

## Credit Ordering Rule

General business credits reported on Form 3800 are treated as used on a first-in, first-out basis by offsetting the earliest-earned credits first. Therefore, the order in which the credits are used in any tax year is:

- Carryforwards to that year, the earliest ones first,
- The general business credit earned in that year, and
- The carryback to that year.

When relevant, the components of the general business credit reported on Form 3800 arising in a single tax year are used in the following order.

- Investment credit (in the following order— rehabilitation credit, energy credit, qualifying advanced coal project credit, and qualifying gasification project credit).
- Work opportunity credit (including any jobs credit carryforward).
- Welfare-to-work credit.
- Credit for increasing research activities.
- Low-income housing credit.
- Enhanced oil recovery credit.
- Disabled access credit.
- Renewable electricity production credit.
- Indian employment credit.
- Credit for employer social security and Medicare taxes paid on certain employee tips.
- Orphan drug credit.
- New markets credit.
- Credit for small employer pension plan startup costs.
- Credit for employer-provided child care facilities and services.
- Qualified railroad track maintenance credit.
- Biodiesel and renewable diesel fuels credit.
- Low sulfur diesel fuel production credit.
- Distilled spirits credit.
- Nonconventional source fuel credit.
- Energy efficient home credit.
- Energy efficient appliance credit.
- Alternative motor vehicle credit.
- Alternative fuel vehicle refueling property credit.
- Credits for employers affected by Hurricane Katrina, Rita, or Wilma.
- Mine rescue team training credit.
- Credit for contributions to selected community development corporations.
- General credits from an electing large partnership.

Although these credits are aggregated on Form 3800, keep a separate record of each credit to ensure that no credits or deductions are squandered or duplicated.

## Specific Instructions

### Part I—Current Year Credit

Complete and attach the appropriate credit forms to figure your current year credit. Generally, if you are a taxpayer that is not a partnership or S corporation, and your only source for a credit listed on this form is from a partnership, S corporation, estate, trust, or cooperative, you are not required to complete the source credit form or attach it to Form 3800. The following exceptions apply:

- You are claiming the investment credit (Form 3468) or biodiesel and renewable diesel fuels credit (Form 8864).
- The taxpayer is 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.
- The taxpayer is 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.

#### Line 1a

If you are a cooperative described in section 1381(a), you must allocate to your patrons the investment credit in excess of your tax liability limit. Allocate to your patrons the portion, if any, of the investment credit on line 8 in excess of line 18. While any excess is allocated to patrons, any credit recapture applies as if you as the cooperative had claimed the entire credit.

#### Line 1f

Complete this line only if you received a credit on a 2005 Schedule K-1 that you received from a partnership or S corporation that had a fiscal year beginning in 2005.

#### Line 1z

Enter the total of the amounts shown in box 7 of the Schedules K-1 (Form 1065-B) you received from electing large partnerships (ELPs).

#### Line 3

Enter the credits included on line 2 that are from passive activities. Generally, a passive activity is a trade or business in which you did not materially participate. Generally, rental activities are passive activities, whether or not you materially participated. See Form 8582-CR, Passive Activity Credit Limitations, or Form 8810, Corporate Passive Activity Loss and Credit Limitations, for details.

#### Line 5

Enter the passive activity credit allowed from Form 8582-CR or Form 8810. See the instructions for the applicable form for details.

#### Line 6

Add all carryforwards to 2006 of unused credits that are reported on Form 3800. Include any carryforward to 2006 of any unused credit from your Form 6478, Credit for Alcohol Used as Fuel, for years prior to 2005.

For each credit, attach a detailed computation showing: **(a)** the tax year the credit originated, the amount of the credit, and the amount allowed for that year; **(b)** for each carryback year, the year and the amount of the credit allowed after you applied the carryback; and **(c)** for each carryforward year, the year and the amount of the credit allowed after you applied the carryforward.

#### Line 7

Use line 7 only when you amend your 2006 return to carry back unused credits from 2007.

#### Line 8

If this line is zero, skip Part II.

## Part II—Allowable Credit

#### Line 15

See section 38(c)(5) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

#### Line 16

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 appropriate AMT form or schedule and enter the TMT on line 16.

#### Line 19

If line 19 is smaller than line 8, see *Carryback and Carryforward of Unused Credit* on page 1.

**Research credit limitation.** If you are an individual, the amount of the research credit that may be included on line 19 is limited to the amount of tax attributable to your taxable income from the sole proprietorship or your interest in the partnership, S corporation, estate, or trust (pass-through entity) generating the credit. Figure the research credit limitation separately for each business enterprise by using the following formula:

(Line 13 – line 15) x  $\frac{\text{Taxable income attributes to the sole proprietorship or your interest in the pass-through entity}}{\text{Your taxable income for the year}}$

The result figured above is limited to the excess of line 13 over line 15. If in the current tax year you had no taxable income attributable to a particular business interest, you cannot claim any research credit this year related to that business.

If your research credit is limited by the above formula, refigure the amount to enter on line 19 using only the total of the amount calculated above for the research credit plus the general business credit from other sources. If necessary, follow the Credit Ordering Rule, and take into account any passive activity credit limitations. Write "Sec. 41(g)" on the dotted line next to your entry on line 19.

**Corporations.** If the corporation has undergone a post-1986 "ownership change" (as defined in section 382(g)), section 383 may limit the amount of tax that may be offset by pre-change general business credits. Also, if a

corporation acquires control of another corporation (or acquires its assets in a reorganization), section 384 may limit the amount of tax attributable to recognized built-in gains that may be offset by pre-acquisition general business credits. If either of these limitations apply, attach a computation of the allowable general business credit, enter the amount on line 19, and write "Sec. 383" or "Sec. 384" in the margin next to your entry on line 19.

**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 Internal Revenue Code 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.

<b>Recordkeeping</b> . . . . .	17 hr., 56 min.
<b>Learning about the law or the form</b> . . . . .	1 hr., 23 min.
<b>Preparing and sending the form to the IRS</b> . . . . .	1 hr., 42 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.