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Instructions for Form 3468

Investment Credit

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

Future Developments

For the latest information about developments related to Form 3468 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form3468](https://www.irs.gov/Form3468).

Reminders

The Taxpayer Certainty and Disaster Relief Tax Act of 2020 (the Act). The Act extended deadlines for certain energy property and added a new credit for waste energy recovery property. Construction of waste energy recovery property must begin before 2024. See [Line 12z](#), later.

The Act also provided special rules for offshore wind facilities. See [Line 12dd](#), later.

Phasing out of certain investment credits. The credit for solar illumination and solar energy property is 26% for property the construction of which began after December 31, 2019, and before January 1, 2023. See [Line 12c](#), later.

The credit for qualified fuel cell property is 26% for property the construction of which began after December 31, 2019, and before January 1, 2023. See [Line 12k](#), later.

The credit for qualified small wind property is 26% for property the construction of which began after December 31, 2019, and before January 1, 2023. See [Line 12z](#), later.

Phasing out of investment credit for wind facilities. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 has extended and reduced the investment credit by 40% for facilities the construction of which began in 2021. See [Line 12hh](#), later.

General Instructions

Purpose of Form

Use Form 3468 to claim the investment credit. The investment credit consists of the rehabilitation, energy, qualifying advanced coal project, qualifying gasification project, and qualifying advanced energy project credits. If you file electronically, you must send in a paper Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, if attachments are required to Form 3468.

Investment Credit Property

Investment credit property is any depreciable or amortizable property that qualifies for the rehabilitation credit, energy credit, qualifying advanced coal project credit, qualifying gasification project credit, or qualifying advanced energy project credit.

You can't claim a credit for property that is:

- Used mainly outside the United States (except for property described in section 168(g)(4));
- Used by a governmental unit or foreign person or entity (except for a qualified rehabilitated building leased to that unit, person, or entity; and property used under a lease with a term of less than 6 months);
- Used by a tax-exempt organization (other than a section 521 farmers' cooperative) unless the property is used mainly in an

unrelated trade or business or is a qualified rehabilitated building leased by the organization;

- Used for lodging or in the furnishing of lodging (see section 50(b)(2) for exceptions); or
- Certain MACRS business property to the extent it has been expensed under section 179.

Qualified Progress Expenditures

Qualified progress expenditures are those expenditures made before the property is placed in service and for which the taxpayer has made an election to treat the expenditures as progress expenditures. Qualified progress expenditure property is any property that is being constructed by or for the taxpayer and which (a) has a normal construction period of 2 years or more, and (b) it is reasonable to believe that the property will be new investment credit property in the hands of the taxpayer when it is placed in service. The placed-in-service requirement doesn't apply to qualified progress expenditures.

Qualified progress expenditures for:

- Self-constructed property means the amount that is properly chargeable (during the tax year) to a capital account with respect to that property; or
- Non-self-constructed property means the lesser of: (a) the amount paid (during the tax year) to another person for the construction of the property, or (b) the amount that represents the proportion of the overall cost to the taxpayer of the construction by the other person which is properly attributable to that portion of the construction which is completed during the tax year.

For more information on qualified progress expenditures, see section 46(d) (as in effect on November 4, 1990). For details on qualified progress expenditures for the rehabilitation credit, see section 47(d).

At-Risk Limit for Individuals and Closely Held Corporations

The cost or basis of property for investment credit purposes may be limited if you borrowed against the property and are protected against loss, or if you borrowed money from a person who is related or who has an interest (other than as a creditor) in the business activity. The cost or basis must be reduced by the amount of the nonqualified nonrecourse financing related to the property as of the close of the tax year in which the property is placed in service. If, at the close of a tax year following the year property was placed in service, the nonqualified nonrecourse financing for any property has increased or decreased, then the credit base for the property changes accordingly. The changes may result in an increased credit or a recapture of the credit in the year of the change. See sections 49 and 465 for details.

Recapture of Credit

You may have to refigure the investment credit and recapture all or a portion of it if:

- You dispose of investment credit property before the end of 5 full years after the property was placed in service (recapture period);
- You change the use of the property before the end of the recapture period so that it no longer qualifies as investment credit property;

- The business use of the property decreases before the end of the recapture period so that it no longer qualifies (in whole or in part) as investment credit property;
- Any building to which section 47(d) applies will no longer be a qualified rehabilitated building when placed in service;
- Any property to which section 48(b), 48A(b)(3), 48B(b)(3), or 48C(b)(2) applies will no longer qualify as investment credit property when placed in service;
- Before the end of the recapture period, your proportionate interest is reduced by more than 1/3 in an S corporation, partnership, estate, or trust that allocated the cost or basis of property to you for which you claimed a credit;
- You return leased property (on which you claimed a credit) to the lessor before the end of the recapture period;
- A net increase in the amount of nonqualified nonrecourse financing occurs for any property to which section 49(a)(1) applied;
- A grant under section 1603 of the American Recovery and Reinvestment Tax Act of 2009 (Section 1603 grant) was made for section 48 property for which a credit was allowed for progress expenditures before the grant was made. Recapture is applicable to those amounts previously included in the qualified basis for an energy credit, including progress expenditures, that also are the basis for the Section 1603 grant; or
- A grant under section 9023 of the Patient Protection and Affordable Care Act was made for investment for which a credit was determined under section 48D (as in effect before its repeal on March 23, 2018) before the grant was made.

Exceptions to recapture. Recapture of the investment credit doesn't apply to any of the following.

1. A transfer due to the death of the taxpayer.
2. A transfer between spouses or incident to divorce under section 1041. However, a later disposition by the transferee is subject to recapture to the same extent as if the transferor had disposed of the property at the later date.
3. A transaction to which section 381(a) applies (relating to certain acquisitions of the assets of one corporation by another corporation).
4. A mere change in the form of conducting a trade or business if:
 - a. The property is retained as investment credit property in that trade or business, and
 - b. The taxpayer retains a substantial interest in that trade or business.

A mere change in the form of conducting a trade or business includes a corporation that elects to be an S corporation and a corporation whose S election is revoked or terminated.

For more information, see the Instructions for Form 4255.



See section 46(g)(4) (as in effect on November 4, 1990), and related regulations, if you made a withdrawal from a capital construction fund set up under the Merchant Marine Act of 1936 to pay the principal of any debt incurred in connection with a vessel on which you claimed investment credit.

Any required recapture is reported on Form 4255. For details, see Form 4255, Recapture of Investment Credit.

Specific Instructions



Generally, (a) an estate or trust whose entire qualified rehabilitation expenditures or bases in energy property are allocated to beneficiaries, (b) an S corporation, or (c) a partnership does not have to complete and attach Form 3468 to its tax return. However, if the estate or trust, S corporation, or partnership is the owner of or passing through qualified

rehabilitation expenditures for a certified historic structure, the entity must complete lines 11h and 11i of the form and attach it to its tax return even if the credit is not being claimed by the entity. See Shareholders of S Corporations, Partners of Partnerships, and Beneficiaries of Estates and Trusts below for information that the entity must provide when allocating the credit.

Shareholders of S Corporations, Partners of Partnerships, and Beneficiaries of Estates and Trusts

If you are a shareholder, partner, or beneficiary of the designated pass-through entity, the entity will provide to you the information necessary to complete the following.

- The qualified investment in qualifying advanced coal project property for lines 5a through 5c.
- The qualified investment in qualifying gasification project property for lines 6a and 6b.
- The qualified investment in qualifying advanced energy project property for line 7.
- The information for lines 11b through 11g for the rehabilitation credit.
- The basis of energy property for lines 12a, 12b, 12c, 12e, 12h, 12k, 12q, 12t, 12w, 12y, 12z, 12bb, 12cc and 12dd.
- The kilowatt capacity for lines 12f, 12i, 12l, and 12r.
- The megawatt capacity or horsepower for line 12u.
- Lines 1 through 4 and lines 11h and 11i, if the lessor has elected to treat the lessee as having acquired the property.

Part I. Information Regarding the Election To Treat the Lessee as the Purchaser of Investment Credit Property

Generally, for purposes of eligibility for and figuring the amount of the investment credit, a lessor of property may elect to treat the lessee as having acquired the property. Once the election is made, the lessee will be entitled to an investment credit for that property for the tax year in which the property is placed in service and the lessor generally will not be entitled to such a credit.

If the leased property is disposed of, or otherwise ceases to be investment credit property, the property generally will be subject to the recapture rules for early dispositions.

The lessor will provide the lessee with all the information needed to complete lines 11h and 11i, if applicable.

For information on making the election, see section 48(d) (as in effect on November 4, 1990) and related regulations. For limitations, see sections 46(e)(3) and 48(d) (as in effect on November 4, 1990).

Line 2

Enter the lessor's full address. Enter the address of the lessor's principal office or place of business. Include the suite, room, or other unit number after the street address. If the post office doesn't deliver mail to the street address and the lessor has a P.O. box, show the box number instead.

Do not use the address of the registered agent for the state in which the lessor is incorporated. For example, if a business is incorporated in Delaware or Nevada and the lessor's principal place of business is located in Little Rock, AR, you should enter the Little Rock address.

If the lessor receives its mail in care of a third party (such as an accountant or attorney), enter on the street address line "C/O"

followed by the third party's name and street address or P.O. box.

Qualifying Advanced Coal Project Credit

A qualifying advanced coal project is a project that:

- Uses advanced coal-based generation technology (as defined in section 48A(f)) to power a new electric generation unit or to refit or repower an existing electric generation unit (including an existing natural gas-fired combined cycle unit);
- Has fuel input which, when completed, will be at least 75% coal;
- Has an electric generation unit or units at the site that will generate at least 400 megawatts;
- Has a majority of the output that is reasonably expected to be acquired or utilized;
- Is to be constructed and operated on a long-term basis when the taxpayer provides evidence of ownership or control of a site of sufficient size;
- Will be located in the United States; and
- Includes equipment that separates and sequesters at least 65% (70% in the case of an application for reallocated credits) of the project's total carbon dioxide emissions for project applications described in section 48A(d)(2)(A)(ii).

For more information on the new allocation round for section 48A credits, see Notice 2020-88, 2020-53 I.R.B. 1795, available at [IRS.gov/irb/2020-53_IRB#NOT-2020-88](https://www.irs.gov/irb/2020-53_IRB#NOT-2020-88).

Basis. Qualified investment for any tax year is the basis of eligible property placed in service by the taxpayer during the tax year which is part of a qualifying advanced coal project. Eligible property is limited to property which can be depreciated or amortized and which was constructed, reconstructed, or erected and completed by the taxpayer; or which is acquired by the taxpayer if the original use of such property commences with the taxpayer.

Basis reduction for certain financing. If property is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, the amount that you can claim as basis is the basis that would otherwise be allowed multiplied by a fraction that is 1 reduced by a second fraction, the numerator of which is that portion of the basis allocable to such financing or proceeds, and the denominator of which is the basis of the property. For example, if the basis of the property is \$100,000 and the portion allocable to such financing or proceeds is \$20,000, the fraction of the basis that you may claim the credit on is $\frac{4}{5}$ (that is, 1 minus $\frac{\$20,000}{\$100,000}$). Subsidized energy financing means financing provided under a federal, state, or local program, a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

Line 5a

Enter the qualified investment in integrated gasification combined cycle property placed in service during the tax year for projects described in section 48A(d)(3)(B)(i). Eligible property is any property which is part of a qualifying advanced coal project using an integrated gasification combined cycle and is necessary for the gasification of coal, including any coal handling and gas separation equipment.

Integrated gasification combined cycle is an electric generation unit that produces electricity by converting coal to synthesis gas, which in turn is used to fuel a combined cycle plant to produce electricity from both a combustion turbine (including a combustion turbine/fuel cell hybrid) and a steam turbine.

Line 5b

Enter the qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(ii). Eligible property is any property that is part of a qualifying advanced coal project (defined earlier) not using an integrated gasification combined cycle.

Line 5c

Enter the qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(iii). Eligible property is any certified property located in the United States and that is part of a qualifying advanced coal project (defined earlier) which has equipment that separates and sequesters at least 65% of the project's total carbon dioxide emissions. This percentage increases to 70% if the credits are later reallocated by the IRS.

The credit will be recaptured if a project fails to attain or maintain the carbon dioxide separation and sequestration requirements. For details, see section 48A(i) and Notice 2011-24, 2011-14 I.R.B. 603, available at [IRS.gov/irb/2011-14_IRB#NOT-2011-24](https://www.irs.gov/irb/2011-14_IRB#NOT-2011-24).

Qualifying Gasification Project Credit

A qualifying gasification project is a project that:

- Employs gasification technology (as defined in section 48B(c)(2)),
- Is carried out by an eligible entity (as defined in section 48B(c)(7)), and
- Includes a qualified investment of which an amount not to exceed \$650 million is certified under the qualifying gasification program as eligible for credit.

The total amount of credits that may be allocated under the qualifying gasification project program may not exceed \$600 million.

For more information on the qualifying gasification project and the qualifying gasification program, see Notice 2009-23, 2009-16 I.R.B. 802, available at [IRS.gov/irb/2009-16_IRB#NOT-2009-23](https://www.irs.gov/irb/2009-16_IRB#NOT-2009-23), which is amplified by Notice 2014-81, 2014-53 I.R.B. 1001, available at [IRS.gov/irb/2014-53_IRB#NOT-2014-81](https://www.irs.gov/irb/2014-53_IRB#NOT-2014-81). Also, see [Notice 2011-24](https://www.irs.gov/irb/2011-24).

Basis reduction. If property is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, figure the credit by using the basis of such property reduced under the rules described in *Basis reduction for certain financing*, earlier.

Line 6a

Enter the qualified investment in qualifying gasification project property (defined above) placed in service during the tax year for which credits were allocated or reallocated after October 3, 2008, and that includes equipment that separates and sequesters at least 75% of the project's carbon dioxide emissions. Qualified investment is the basis of eligible property placed in service during the tax year that is part of a qualifying gasification project.

For purposes of this credit, eligible property includes any property that is part of a qualifying gasification project and necessary for the gasification technology of such project. The IRS is required to recapture the benefit of any allocated credit if a project fails to attain or maintain these carbon dioxide separation and sequestration requirements. See section 48B(f) and [Notice 2011-24](https://www.irs.gov/irb/2011-24).

Line 6b

Enter the qualified investment, other than line 6a, in qualifying gasification project property (defined earlier) placed in service during the tax year.

Qualifying Advanced Energy Project Credit

To be eligible for the qualifying advanced energy project credit, some or all of the qualified investment in the qualifying advanced energy project must be certified by the IRS under section 48C(d). For more information on certification, see Notice 2009-72, 2009-37 I.R.B. 325, available at [IRS.gov/irb/2009-37_IRB#NOT-2009-72](https://www.irs.gov/irb/2009-37_IRB#NOT-2009-72) and Notice 2013-12, 2013-10 I.R.B. 543, available at [IRS.gov/irb/2013-10_IRB#NOT-2013-12](https://www.irs.gov/irb/2013-10_IRB#NOT-2013-12).

Line 7

Enter the qualified investment in qualifying advanced energy project property placed in service during the tax year. Qualified investment is the basis of eligible property placed in service during the tax year that is part of a qualifying advanced energy project.

Qualifying advanced energy project means a project that re-equips, expands, or establishes a manufacturing facility for the production of:

- Property designed to be used to produce energy from the sun, wind, geothermal deposits (within the meaning of section 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 the 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 in section 30D), or components that are designed specifically for use with those vehicles, including electric motors, generators, and power control units; and
- Other advanced energy property designed to reduce greenhouse gas emissions.

A qualifying advanced energy project doesn't include any portion of a project for the production of any property that is used in the refining or blending of any transportation fuel (other than renewable fuels).

Eligible property. Eligible property is property that is necessary for the production of property described in section 48C(c)(1)(A)(i), for which depreciation or amortization is available and is tangible personal property or other tangible property (not including a building or its structural components), but only if the property is used as an integral part of the qualifying advanced energy project.

Transitional rule. Enter only the basis:

- Attributable to construction, reconstruction, or erection by the taxpayer after February 17, 2009;
- Of property acquired and placed in service after February 17, 2009; and
- Only to the extent of the qualified investment (as determined under section 46(c) and (d) as in effect on November 4, 1990) with respect to qualified progress expenditures made after February 17, 2009.

Line 8

Reserved for future use.

Credit From Cooperatives

Line 9

Patrons, including cooperatives that are patrons in other cooperatives, enter the unused investment credit from the qualifying advanced coal project credit, qualifying gasification project credit, or qualifying advanced energy project credit allocated from cooperatives. If you are a cooperative, see the instructions for Form 3800, Part III, line 1a, for allocating the investment credit to your patrons.

Rehabilitation Credit

You are allowed a credit for qualified rehabilitation expenditures made for any qualified rehabilitated building. You must reduce your basis by the amount of the credit determined for the tax year. See Regulations section 1.47-7.

If the adjusted basis of the building is determined in whole or in part by reference to the adjusted basis of a person other than the taxpayer, see Regulations section 1.48-12(b)(2)(viii) for additional information that must be attached.

Qualified Rehabilitated Building

To be a qualified rehabilitated building, your building must meet all five of the following requirements.

1. The building must be a certified historic structure. A certified historic structure is any building (a) listed in the National Register of Historic Places, or (b) located in a registered historic district (as defined in section 47(c)(3)(B)) and certified by the Secretary of the Interior as being of historic significance to the district. Certification requests are made through your State Historic Preservation Officer on National Park Service (NPS) Form 10-168, Historic Preservation Certification Application. The request for certification should be made prior to physical work beginning on the building. For pre-1936 buildings under the transition rule, see [Transitional rule for amounts paid or incurred after 2017](#), later.

2. The building must be substantially rehabilitated. A building is considered substantially rehabilitated if your qualified rehabilitation expenditures during a self-selected 24-month period that ends with or within your tax year are more than the greater of \$5,000 or your adjusted basis in the building and its structural components. Figure adjusted basis on the first day of the 24-month period or the first day of your holding period, whichever is later. If you are rehabilitating the building in phases under a written architectural plan and specifications that were completed before the rehabilitation began, substitute "60-month period" for "24-month period."

3. Depreciation must be allowable with respect to the building. Depreciation isn't allowable if the building is permanently retired from service. If the building is damaged, it isn't considered permanently retired from service where the taxpayer repairs and restores the building and returns it to actual service within a reasonable period of time.

4. The building must have been placed in service before the beginning of rehabilitation. This requirement is met if the building was placed in service by any person at any time before the rehabilitation began.

5. For a building under the transition rule, (a) at least 75% of the external walls must be retained with 50% or more kept in place as external walls, and (b) at least 75% of the existing internal structural framework of the building must be retained in place.

Qualified Rehabilitation Expenditures

To be qualified rehabilitation expenditures, your expenditures must meet all six of the following requirements.

1. The expenditures must be for (a) nonresidential real property, (b) residential rental property (but only if a certified historic structure; see Regulations section 1.48-1(h)), or (c) real property that has a class life of more than 12.5 years.
2. The expenditures must be incurred in connection with the rehabilitation of a qualified rehabilitated building.
3. The expenditures must be capitalized and depreciated using the straight line method.
4. The expenditures can't include the costs of acquiring or enlarging any building.
5. If the expenditures are in connection with the rehabilitation of a certified historic structure or a building in a registered historic district, the rehabilitation must be certified by the Secretary of the Interior as being consistent with the historic character of the property or district in which the property is located. This requirement doesn't apply to a building in a registered historic district if (a) the building isn't a certified historic structure, (b) the Secretary of the Interior certifies that the building isn't of historic significance to the district, and (c) if the certification in (b) occurs after the rehabilitation began, the taxpayer certifies in good faith that he or she wasn't aware of that certification requirement at the time the rehabilitation began.
6. The expenditures can't include any costs allocable to the part of the property that is (or may reasonably be expected to be) tax-exempt use property (as defined in section 168(h) except that "50 percent" shall be substituted for "35 percent" in paragraph (1)(B)(iii)). This exclusion doesn't apply for line 11d.

Line 11

For credit purposes, the expenditures generally are taken into account for the tax year in which the qualified rehabilitated building is placed in service. However, with certain exceptions, you may elect to take the expenditures into account for the tax year in which they were paid (or, for a self-rehabilitated building, when capitalized) if (a) the normal rehabilitation period for the building is at least 2 years, and (b) it is reasonable to expect that the building will be a qualified rehabilitated building when placed in service. For details, see section 47(d). To make this election, check the box on line 11a. The credit, as a percent of expenditures paid or incurred during the tax year for any qualified rehabilitated building, depends on the type of structure and its location.

Transitional rule for amounts paid or incurred after 2017.

The 10% credit for pre-1936 buildings no longer applies and the 20% credit for a certified historic structure is modified generally to allow 100% of qualified rehabilitation expenditures ratably over a 5-year period for amounts paid or incurred after 2017. For qualified rehabilitation expenditures paid or incurred during the transitional period stated below, the taxpayer can claim the 10% credit for pre-1936 buildings and the 20% credit for a certified historic structure (under section 47(a), as in effect before December 22, 2017). The transitional rule applies to amounts paid or incurred as follows.

In the case of qualified rehabilitation expenditures with respect to any building (a) owned or leased by the taxpayer during the entirety of the period after 2017, and (b) with respect to which the 24-month period selected by the taxpayer under clause (i) of section 47(c)(1)(B) (as in effect after December 21, 2017), or the 60-month period applicable under clause (ii) of such section, begins not later than 180 days after December 22, 2017, the transitional rule applies to expenditures paid or incurred after the end of the tax year in which the 24-month

period, or the 60-month period, referred to in subparagraph (b) ends.

If you have more than one property that qualifies for the rehabilitation credit, attach a schedule showing the type of property (pre-1936 building or certified historic structure), NPS number, date of final certification, and the partnership employer identification number (EIN), if applicable. Also, indicate if the transitional rule applies.

Line 11h

If you are claiming a credit for a certified historic structure on line 11f or 11g, enter the assigned NPS project number on line 11h. If the qualified rehabilitation expenditures are from an S corporation, partnership, estate, or trust, enter on line 11h the EIN of the pass-through entity instead of the assigned NPS project number, and skip line 11i and the instructions below.

The lessor will provide the lessee with the NPS project number to enter on line 11h.

Line 11i

Enter the date of the final certification of completed work received from the Secretary of the Interior on line 11i. If the final certification hasn't been received by the time the tax return is filed for a year in which the credit is claimed, attach a copy of the first page of NPS Form 10-168, Historic Preservation Certification Application (Part 2—Description of Rehabilitation), with an indication that it was received by the Department of the Interior or the State Historic Preservation Officer, together with proof that the building is a certified historic structure (or that such status has been requested). After the final certification of completed work has been received, file Form 3468 with the first income tax return filed after receipt of the certification and enter the assigned NPS project number and the date of the final certification of completed work on the appropriate lines on the form. Also, attach an explanation and indicate the amount of credit claimed in prior years.

If you fail to receive final certification of completed work prior to the date that is 30 months after the date that you filed the tax return on which the credit was claimed, you must submit a written statement to the IRS stating that fact before the last day of the 30th month. You will be asked to consent to an agreement under section 6501(c)(4) extending the period of assessment for any tax relating to the time for which the credit was claimed.

Mail to:

Internal Revenue Service
Technical Services
31 Hopkins Plaza, Room 1108
Baltimore, MD 21201

You must retain a copy of the final certification of completed work as long as its contents may be needed for the administration of any provision of the Internal Revenue Code.

If the final certification is denied by the Department of the Interior, the credit is disallowed for any tax year in which it was claimed, and you must file an amended return if necessary. See Regulations section 1.48-12(d)(7)(ii) for details.

Energy Credit

To qualify as energy property, property must:

1. Meet the performance and quality standards, if any, that have been prescribed by regulations and are in effect at the time the property is acquired;

2. Be property for which depreciation (or amortization in lieu of depreciation) is allowable; and

3. Be property either:

a. The construction, reconstruction, or erection of which is completed by the taxpayer; or

b. Acquired by the taxpayer if the original use of such property commences with the taxpayer.

Energy property doesn't include any property acquired before February 14, 2008, or to the extent of basis attributable to construction, reconstruction, or erection before February 14, 2008, that is public utility property, as defined by section 46(f)(5) (as in effect on November 4, 1990), and related regulations.

You must reduce the basis of energy property by 50% of the energy credit determined.

You must reduce the basis of energy property used for figuring the credit by any amount attributable to qualified rehabilitation expenditures.

Basis reduction. If energy property (acquired before January 1, 2009, or to the extent of its basis attributable to construction, reconstruction, or erection before January 1, 2009) is financed in whole or in part by subsidized energy financing or by tax-exempt private activity bonds, reduce the basis of such property under the rules described in [Basis reduction for certain financing](#), earlier. For property acquired after December 31, 2008, and for basis attributable to construction, reconstruction, or erection after December 31, 2008, there is no basis reduction for property financed by subsidized energy financing or by tax-exempt private activity bonds.

Line 12a

Enter the basis of any property placed in service during the tax year that uses geothermal energy. Geothermal energy property is equipment that uses geothermal energy to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2)). For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electrical transmission stage.

Line 12b

Enter the basis, attributable to periods after December 31, 2005, and the construction of which began before January 1, 2020, of any property using solar energy placed in service during the tax year. There are two types of property.

1. Equipment that uses solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight.

2. Equipment that uses solar energy to:

a. Generate electricity,

b. Heat or cool (or provide hot water for use in) a structure, or

c. Provide solar process heat (but not to heat a swimming pool).

Basis is attributable to periods after December 31, 2005, and construction began before 2020, if the property was acquired by the taxpayer or the basis is attributable to construction, reconstruction, or erection by the taxpayer. See [When construction begins](#), later.

Line 12c

Enter the basis of property using solar illumination or solar energy placed in service during the tax year and the construction of which began after December 31, 2019, and before January 1, 2023; the credit is 26%.

For the definition of solar illumination or solar energy property, see the instructions to [Line 12b](#), earlier.

Line 12d

Line 12d is reserved for future use. See line 12c.

Line 12e

Enter the basis, attributable to periods after December 31, 2005, and before October 4, 2008, of any qualified fuel cell property placed in service during the tax year.

Qualified fuel cell property is a fuel cell power plant that generates at least 0.5 kilowatts of electricity using an electrochemical process and has electricity-only generation efficiency greater than 30%. See section 48(c)(1) for further details.

Basis is attributable to periods after December 31, 2005, and before October 4, 2008, if the property was acquired after December 31, 2005, and before October 4, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005, and before October 4, 2008.

Line 12f

Enter the applicable number of kilowatts of capacity attributable to the basis on line 12e.

Line 12h

Enter the basis, attributable to periods after October 3, 2008, and the construction of which began before 2020, of any qualified fuel cell property placed in service during the tax year.

For a definition of qualified fuel cell property, see [Line 12e](#), earlier. Also, see [When construction begins](#), later.

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Line 12i

Enter the applicable number of kilowatts of capacity attributable to the basis on line 12h. This entry must be a whole number.

Line 12k

Enter the basis of property using qualified fuel cell energy placed in service during the tax year and the construction of which began after December 31, 2019, and before January 1, 2023. See [When construction begins](#), later.

Line 12l

Enter the applicable number of kilowatts of capacity attributable to the basis on line 12k. This entry must be a whole number.

Lines 12n, 12o, and 12p

Lines 12n, 12o, and 12p are reserved for future use. See line 12k.

Line 12q

Enter the basis, attributable to periods after December 31, 2005, of any qualified microturbine property placed in service during the tax year. Qualified microturbine property is a stationary

microturbine power plant that generates less than 2,000 kilowatts and has an electricity-only generation efficiency of not less than 26% at International Standard Organization conditions. See section 48(c)(2) for further details.

Basis is attributable to periods after December 31, 2005, if the property was acquired after December 31, 2005, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005.

Line 12t

Enter the basis, attributable to periods after October 3, 2008, of any qualified combined heat and power system property placed in service during the tax year. Combined heat and power system property is property that uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both; in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications); the energy efficiency percentage of which exceeds 60%; and it produces:

- At least 20% of its total useful energy in the form of thermal energy that isn't used to produce electrical or mechanical power (or a combination thereof), and
- At least 20% of its total useful energy in the form of electrical or mechanical power (or a combination thereof).

For details, see section 48(c)(3).

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Note. Taxpayers cannot take a credit for both combined heat and power system property and waste energy recovery property for the same property. Taxpayers must elect not to treat such property as combined heat and power system property for section 48 purposes.

Energy efficiency percentage. The energy efficiency percentage of a combined heat and power system property is the fraction—the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and expected to be consumed in its normal application, and the denominator of which is the lower heating value of the fuel sources for the system. The energy efficiency percentage is determined on a Btu basis.

Combined heat and power system property doesn't include property used to transport the energy source to the facility or to distribute energy produced by the facility.

Biomass systems. Systems designed to use biomass for at least 90% of the energy source are eligible for a credit that is reduced in proportion to the degree to which the system fails to meet the efficiency standard. For more information, see section 48(c)(3)(D).

Line 12w

Enter the basis, attributable to periods after October 3, 2008, and before January 1, 2009, of any qualified small wind energy property placed in service during the tax year.

Qualified small wind energy property means property that uses a qualifying small wind turbine to generate electricity. For this purpose, a qualifying small wind turbine means a wind turbine that has a nameplate capacity of not more than 100 kilowatts. For details, see section 48(c)(4). In addition, for small wind energy property acquired or placed in service (in the case of property constructed, reconstructed, or erected) after

February 2, 2015, see Notice 2015-4, 2015-5 I.R.B. 407, available at [IRS.gov/irb/2015-05_IRB#NOT-2015-4](https://www.irs.gov/irb/2015-05_IRB#NOT-2015-4), as modified by Notice 2015-51, 2015-31 I.R.B. 133, available at [IRS.gov/irb/2015-31_IRB#NOT-2015-51](https://www.irs.gov/irb/2015-31_IRB#NOT-2015-51), for performance and quality standards that small wind energy property must meet to qualify for the energy credit.

Basis is attributable to periods after October 3, 2008, and before January 1, 2009, if the property was acquired after October 3, 2008, and before January 1, 2009, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008, and before January 1, 2009.

Line 12x

Enter the smaller of the basis you entered on line 12w or \$4,000.

Line 12y

Enter the basis, attributable to periods after December 31, 2008, and the construction of which began before 2020, of any qualified small wind energy property placed in service during the tax year.

For the definition of qualified small wind energy property, see the instructions for [Line 12w](#), earlier.

Basis is attributable to periods after December 31, 2008, and construction began before 2020, if the property was acquired by the taxpayer or the basis is attributable to construction, reconstruction, or erection by the taxpayer. See [When construction begins](#), later.

Line 12z

Enter the basis of property using qualified small wind energy property placed in service during the tax year and the construction of which began after December 31, 2019, and before January 1, 2023. See [When construction begins](#), later.

For the definition of qualified small wind energy property, see the instructions for [Line 12w](#), earlier.

Qualified waste energy recovery property means property that generates electricity solely from heat from buildings or equipment if the primary purpose of such building or equipment is not the generation of electricity. The term "waste energy recovery property" shall not include any property that has a capacity in excess of 50 megawatts. For details, see section 48(c)(5).

Note. Taxpayers cannot take a credit for both combined heat and power system property and waste energy recovery property for the same property. Taxpayers must elect not to treat such property as combined heat and power system property for section 48 purposes.

Note. The transitional rules of section 48(m) (as in effect on November 4, 1990) apply to waste energy recovery property for periods after December 31, 2020.

Line 12aa

Line 12aa is reserved for future use. See [Line 12z](#).

Line 12bb

Enter the basis of waste energy recovery property placed in service during the tax year and the construction of which began after December 31, 2019, and before January 1, 2023.

Line 12cc

Enter the basis, attributable to periods after October 3, 2008, of any geothermal heat pump system placed in service during the tax year. Geothermal heat pump systems constitute equipment that uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure. For details, see section 48(a)(3)(A)(vii).

Basis is attributable to periods after October 3, 2008, if the property was acquired after October 3, 2008, or to the extent of basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008.

Line 12dd

Enter the basis of any qualified investment credit facility property, other than wind facility property under section 45(d)(1) the construction of which began after 2016, placed in service during the tax year. Qualified investment credit facility property is property that:

- Is tangible personal property or other tangible property (not including a building or its structural components), but only if the property is used as an integral part of the qualified investment credit facility;
 - Is constructed, reconstructed, erected, or acquired by the taxpayer;
 - Depreciation or amortization is allowable; and
 - The original use begins with the taxpayer.
- See section 48(a)(5) for details.

A qualified investment credit facility is a facility that:

- Is a qualified facility under section 45(d)(1), (2), (3), (4), (6), (7), (9), or (11) that is placed in service after 2008 and the construction of which began before January 1, 2022. See [When construction begins](#) below;
 - No credit has been allowed under section 45 for that facility (see [Note](#) below); and
 - An irrevocable election was made to treat the facility as energy property.
- Is a qualified offshore wind facility the construction of which begins before January 1, 2026. See Notice 2021-5, 2021-03 I.R.B. 479, available at [IRS.gov/irb/2021-03 IRB#NOT-2021-5](#), for more information on beginning of construction requirements applied to offshore and federal land projects.

Note. The transitional rules of section 48(m) (as in effect on November 4, 1990) apply to offshore wind facilities for periods after December 31, 2016. Under the transitional rules of section 48(m) (as in effect on November 4, 1990), the phaseout of the section 48 credit provided for other types of qualified investment credit facilities at section 48(a)(5)(E), does not apply to offshore wind facilities.

Note. If a taxpayer retrofits an energy property that previously received a credit under section 45 by satisfying the 80/20 Rule provided in section 7.05 of Notice 2018-59, 2018-28 I.R.B. 196, available at [IRS.gov/irb/2018-28 IRB#NOT-2018-59](#), the taxpayer may claim an investment tax credit based on its investment. However, if the energy property is within the recapture period for the section 45 credit, the taxpayer may have to recapture all or part of such section 45 credit accordingly.

When construction begins. Two methods can be used to establish that construction of a qualified facility has begun.

1. **Physical Work Test** is satisfied when physical work of a significant nature begins and other requirements provided in section 4 of [Notice 2018-59](#) are met.
2. **Five Percent Safe Harbor** is satisfied when a taxpayer pays or incurs (within the meaning of Regulations section 1.461-1(a)(1) and (2)) five percent or more of the total cost of the

energy property and meets other requirements provided in section 5 of [Notice 2018-59](#).

Although both methods can be used, only one method is needed to establish that construction of a qualified facility has begun. For energy property the construction of which begins, as determined under the earlier of the Physical Work Test or the Five Percent Safe Harbor, after December 31, 2018, construction will be deemed to have begun on the date the taxpayer first satisfies one of the two methods. The requirements to begin construction may be modified in certain limited circumstances involving significant national security concerns. See Notice 2019-43, 2019-31 I.R.B. 487, available at [IRS.gov/irb/2019-31 IRB#NOT-2019-43](#), for details. Also, see Notice 2020-41, 2020-25 I.R.B. 954, available at [IRS.gov/irb/2020-25 IRB#NOT-2020-41](#), on tax relief for delays caused by COVID-19. Additionally, see Notice 2021-5 for more information on beginning of construction requirements applied to offshore and federal lands projects.

The election to treat a qualified facility as energy property is made by claiming the energy credit with respect to qualified investment credit facility property by completing Form 3468 and attaching it to your timely filed income tax return (including extensions) for the tax year that the property is placed in service. You must make a separate election for each qualified facility that is to be treated as a qualified investment credit facility. You also must attach a statement to Form 3468 that includes the following information.

1. Your name, address, taxpayer identification number, and telephone number.
2. For each qualified investment credit facility, include the following.
 - a. A detailed technical description of the facility, including generating capacity.
 - b. A detailed technical description of the energy property placed in service during the tax year as an integral part of the facility, including a statement that the property is an integral part of such facility.
 - c. The date that the energy property was placed in service.
 - d. An accounting of your basis in the energy property.
 - e. A depreciation schedule reflecting your remaining basis in the energy property after the energy credit is claimed.
3. A statement that you haven't and won't claim a Section 1603 grant for new investment in the property for which you are claiming the energy credit.
4. A declaration, applicable to the statement and any accompanying documents, signed by you, or signed by a person currently authorized to bind you in such matters, in the following form: "Under penalties of perjury, I declare that I have examined this statement, including accompanying documents, and to the best of my knowledge and belief, the facts presented in support of this statement are true, correct, and complete."

Line 12ee

Enter the basis of qualified wind facility property under section 45(d)(1) the construction of which began in 2017 and was placed in service during the tax year.

Line 12ff

Enter the basis of qualified wind facility property under section 45(d)(1) the construction of which began in 2018 and was placed in service during the tax year.

Line 12gg

Enter the basis of qualified wind facility property under section 45(d)(1) the construction of which began in 2019 and was placed in service during the tax year.

Line 13

Patrons, including cooperatives that are patrons in other cooperatives, enter the unused investment credit from the rehabilitation credit or energy credit allocated from cooperatives. If you are a cooperative, see the instructions for Form 3800, Part III, line 1a, for allocating the investment credit to your patrons.

Line 12hh

Enter the basis of qualified wind facility property under section 45(d)(1) the construction of which began in 2020 or 2021 and was placed in service during the tax year.

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 and business taxpayers filing this form is approved under OMB control number 1545-0074 and 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	18 hr., 39 min.
Learning about the law or the form	6 hr., 21 min.
Preparing and sending the form to the IRS	10 hr., 55 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.
