

# Enhanced Oil Recovery Credit

► Go to [www.irs.gov/Form8830](http://www.irs.gov/Form8830) for the latest information.  
► Attach to your tax return.

Name(s) shown on return

Identifying number

<b>1</b>	Qualified enhanced oil recovery costs (see instructions)	<b>1</b>	
<b>2</b>	Multiply line 1 by the credit rate shown in the instructions	<b>2</b>	
<b>3</b>	Enhanced oil recovery credit from partnerships and S corporations (see instructions)	<b>3</b>	
<b>4</b>	<b>Current year credit.</b> Add lines 2 and 3. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1t	<b>4</b>	

## General Instructions

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

### Future Developments

For the latest information about developments related to Form 8830 and its instructions, such as legislation enacted after this form and instructions were published, go to [www.irs.gov/Form8830](http://www.irs.gov/Form8830).

### What's New

**Credit availability.** The section 43 enhanced oil recovery credit is completely phased out for tax years beginning in 2019 and 2020, but available at the rate of 15% for tax years beginning in 2021, per Notice 2021-47. Due to the generally high price of crude oil, the credit is usually completely phased out. To find out if the credit is applicable or phased out for tax years beginning in 2022 or later, go to [www.irs.gov/Form8830](http://www.irs.gov/Form8830).

**Future revisions.** Due to the generally unchanging nature of Form 8830, it'll no longer be updated annually, unless necessary.

### Purpose of Form

Use Form 8830 to claim the enhanced oil recovery credit. This credit is part of the general business credit.

An owner of an operating mineral interest may claim or elect not to claim this credit any time within 3 years from the due date (excluding extensions) of its return on either its original or an amended return. Partnerships and S corporations must file this form to claim the credit. All other taxpayers aren't required to complete or file this form if the only source of this credit is a partnership or S corporation. Instead, they can report this credit directly on Form 3800, General Business Credit, Part III, line 1t.

### Amount of Credit

The credit is generally 15% of qualified costs for the tax year, but is reduced or completely phased out when the reference price per barrel of crude oil is more than the base value of \$28 (as adjusted by the inflation adjustment factor for the calendar year).

## Definitions

**Qualified enhanced oil recovery costs** means the following.

1. Any amount paid or incurred during the tax year for tangible property:
  - a. That is an integral part of a qualified enhanced oil recovery project, and
  - b. For which depreciation (or amortization) is allowable.
2. Any intangible drilling and development costs:
  - a. That are paid or incurred in connection with a qualified enhanced oil recovery project, and
  - b. For which the taxpayer may make an election under section 263(c). For an integrated oil company, this includes intangible drilling costs required to be amortized under section 291(b).
3. Any qualified tertiary injectant expenses (as defined in section 193(b)) paid or incurred in connection with a qualified enhanced oil recovery project for which a deduction is allowable for the tax year. Qualified tertiary injectant expenses includes expenditures related to the use of a tertiary injectant as well as expenditures related to the acquisition (whether produced or acquired by purchase) of the tertiary injectant. However, it doesn't include costs that would have been paid or incurred in the development or operation of a mineral property if an enhanced oil recovery project had not been implemented with respect to the property. Costs that are related to the use of a tertiary injectant and that are also related to other activities (for example, primary or secondary recovery) must be reasonably allocated among the tertiary injectant and the other activities to determine the amount of tertiary injectant expenses paid or incurred for the tax year. For more details, see Rev. Rul. 2003-82, 2003-30 I.R.B. 125.
4. Any amount paid or incurred during the tax year to construct an Alaska natural gas plant within the meaning of sections 43(c)(1)(D) and 43(c)(5).

**Qualified enhanced oil recovery project** means any project involving the application of one or more tertiary recovery methods defined in section

193(b)(3) (and listed below) that can reasonably be expected to result in more than an insignificant increase in the amount of crude oil that will ultimately be recovered. The project must be located within the United States, including the seabed and subsoil adjacent to the territorial waters of the United States over which the United States has exclusive rights by international law for exploration and exploitation of natural resources (see section 638(1)). The first injection of liquids, gases, or other matter must begin after 1990. However, any significant expansion after 1990 of a project begun before 1991 is treated as a project where the first injection begins after 1990.

Additionally, the operator or designated owner must file a certification from a petroleum engineer, who is registered or certified by a state, that the project meets the above requirements. The operator or designated owner must also file a certification each subsequent year indicating that the project continues to be implemented substantially in accordance with the petroleum engineer's certification.

If the application of a tertiary recovery method is terminated, the operator or designated owner must file a notice of project termination for the tax year when the project terminates.

Send these filings to:

Internal Revenue Service  
LB&I Enterprise Activities Practice  
Area Attention: Director's Office  
1919 Smith Street  
Mail Stop 1003-HOU  
Houston, TX 77002

by the due date of the operator's or designated owner's federal income tax return. See Regulations section 1.43-3 for the information required in the notice and certifications.

**Tertiary recovery methods** qualifying for the credit include:

- Miscible fluid displacement,
- Steam drive injection,
- Microemulsion flooding,
- In situ combustion,
- Polymer-augmented water flooding,
- Cyclic-steam injection,

- Alkaline (or caustic) flooding,
- Carbonated water flooding,
- Immiscible nonhydrocarbon gas displacement, or
- Any other method approved by the Secretary of the Treasury.

### Specific Instructions

Figure any enhanced oil recovery credit from your own trade or business on lines 1 and 2. Skip lines 1 and 2 if you're only claiming a credit that was allocated to you from an S corporation or a partnership.

#### Line 1

Enter the total of the qualified costs paid or incurred during the year in connection with a qualified enhanced oil recovery project. See *Definitions*, earlier.

Reduce the otherwise allowable deductions for line 1 costs by the line 2 credit attributable to these costs. Also, if any part of the line 1 costs are for expenditures that increase the basis of property, reduce the otherwise allowable basis increase by the line 2 credit attributable to these costs.

#### Line 2

For tax years beginning in 2021, multiply line 1 by 15% (0.15). To find the applicable rate for other tax years, go to [www.irs.gov/Form8830](http://www.irs.gov/Form8830).

#### Line 3

Enter total enhanced oil recovery credits from:

- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., box 15 (code P); and
- Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc., box 13 (code P).

Partnerships and S corporations must always report the above credits on line 3.

All other taxpayers:

- Report the above credits directly on Form 3800, Part III, line 1t; and
- Don't file Form 8830.

#### 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** . . . . 5 hr., 15 min.

**Learning about the law or the form** . . . . 53 min.

**Preparing and sending the form to the IRS** . . . 1 hr., 1 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.