

Renewable Electricity Production Credit

Department of the Treasury Internal Revenue Service

For fiscal years beginning in 1992 and ending in 1993.

1992

Attachment Sequence No. 95

Attach to your return.

Name(s) as shown on return

Identifying number

Part I Current Year Credit

Table with 13 rows for Part I. Includes sections for biomass and wind electricity production credits, and a table for flow-through entities (Shareholder, Partner, Beneficiary).

Part II Tax Liability Limitation (See Who Must File Form 3800 to see if you complete Part II or file Form 3800.)

Table with 12 rows for Part II. Includes sub-sections 15a-c, 16a-h, 17, 18a-c, 19a-c, 20, and 21, leading to line 22: Renewable electricity production credit allowed for current 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.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	7 hr., 39 min.
Learning about the law or the form	6 min.
Preparing and sending the form to the IRS	14 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

General Instructions

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

Purpose of Form

Section 1914 of the Energy Policy Act of 1992 revised section 38 and added new section 45 to allow an income tax credit on the sale of electricity produced in the United States and U.S. possessions from qualified energy resources (see **Definitions** below). Form 8835 is used to figure the credit.

Who Should File

This form is to be used ONLY by fiscal year taxpayers who:

1. have a tax year that started in 1992 and ended in 1993;
2. placed a qualified facility using closed-loop biomass in service after December 31, 1992; and
3. produced and sold electricity from the facility to an unrelated party during their fiscal year.

An owner of a qualified facility using closed-loop biomass is eligible for the credit only if the facility is placed in service after 1992. A qualified facility using wind is eligible only if it is placed in service after 1993.

How the Credit Is Figured

The rate of the credit is 1.5 cents per kilowatt hour on the sale of electricity produced by the taxpayer from qualified energy resources at a qualified facility during the 10-year period beginning with the date the facility is originally placed in service.

The credit is proportionately phased out over a 3-cent range when the reference price (see **Definitions**) exceeds the threshold price (see next paragraph). The credit is completely phased out when the reference price exceeds the threshold price by 3 cents or more. See **Line 2** below for details.

Both the credit rate of 1.5 cents and the threshold price of 8 cents are adjusted for inflation. The reference price and the inflation adjustment factor for the year are published in the Federal Register by April 1 of the calendar year.

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

Who Must File Form 3800

The general business credit consists of several credits, including the investment (Form 3468), jobs (Form 5884), credit for alcohol used as fuel (Form 6478), research (Form 6765), low-income housing (Form 8586), enhanced oil recovery (Form 8830), disabled access (Form 8826), and renewable electricity production (Form 8835). If you have more than one of these credits for this year, a carryback or carryforward of any of these credits, or a renewable electricity production credit from a passive activity, you must also file **Form 3800**, General Business Credit, which is used instead of Part II of Form 8835, to figure the tax liability limitation.

Definitions

Qualified energy resources means closed-loop biomass and wind.

Closed-loop biomass means any organic material from a plant that is planted exclusively for use at a qualified facility to produce electricity. It does not include any waste materials such as the use of 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, but before July 1, 1999. It also means any taxpayer-owned facility using wind to produce electricity that is originally placed in service after December 31, 1993, but before July 1, 1999.

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.

United States and possessions of the United States includes the seabed and subsoil of those submarine areas that are adjacent to the territorial waters over which the United States has exclusive rights in accordance with international law.

Specific Instructions

Part I

Complete lines 1 through 12 to figure any renewable electricity production credit from your trade or business. 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.

Line 1.—Enter the kilowatt hours (Kwh) of electricity produced and sold after December 31, 1992, from a facility using closed-loop biomass as the renewable resource.

Line 2.—Reduce the credit figured in line 1 by the percentage that the 1993 reference price exceeds the threshold price divided by 3 cents.

If the reference price is 8 cents or less, there is no reduction. If the reference price is 11 cents or more, there is no credit. If the reference price is more than 8 cents and less than 11 cents, there is a credit reduction on line 2.

For example, if the 1993 reference price is 9 cents, you must reduce the credit by 1/3 ((9

cents minus 8 cents) divided by 3 cents = 1/3 = .3333). In this example, you would enter the credit figured in line 1 in the first entry space on line 2, enter .3333 in the second entry space, and complete line 2 to figure the reduction.

The 8-cents threshold price is adjusted for inflation after this year. The reference price for the year will be published by April 1 in the Federal Register.

Lines 4, 5, and 6.—No credit is allowed for the 1992 fiscal year for electricity produced and sold from a facility that uses wind as the renewable energy resource.

Lines 4, 5, and 6 apply to tax years beginning after December 31, 1993. These lines are shown with the entry spaces shaded to give taxpayers advance information on the portion of the credit that will be allowed for electricity produced and sold from a qualified facility using wind as the qualified energy resource.

Line 8.—Enter the sum, for this and all prior tax years, of (1) grants provided by the United States, a state, or political subdivision of a state for the project; (2) proceeds of an issue of state or local government obligations used to provide financing for the project, the interest of which is tax-exempt; (3) total of subsidized energy financing provided directly or indirectly under a Federal, state, or local program provided for the project; and (4) 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.—If you have a credit from a passive activity, stop here and go to Form 3800.

S corporations and partnerships.—Prorate the credit on line 14 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.

Estates and trusts.—The credit on line 14 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 amount on line 14, enter the estate or trust's share of the total credit. Label it "1041 PORTION" and use this amount in Part II (or Form 3800, if required) to figure the credit to claim on Form 1041.

Part II

Line 18.—Enter the tentative minimum tax (TMT) that was figured on the appropriate alternative minimum tax (AMT) form or schedule. Although you may not owe AMT, you must still compute the TMT to figure your credit.

Line 20.—See section 38(c)(2) for special rules for married couples filing separate returns, for controlled groups, and for estates and trusts.

Line 22.—If you cannot use part of the credit because of the tax liability limitations (line 22 is less than line 14), carry the excess to other years. The excess credit attributable to closed-loop biomass as a qualified energy resource cannot be carried back to any tax year ending before 1993 (before 1994 attributable to wind as a qualified energy resource). See the separate Instructions for Form 3800 for details.