REVISED IN ACCORDANCE WITH NEW LAW RESTORING THE INVESTMENT CREDIT

FORM **3468**
(2D REVISION)
U.S. Treasury Department
Internal Revenue Service

Computation of Investment Credit

TO BE ATTACHED TO YOUR TAX RETURN
For calendar year 1966 or other taxable year beginning
................................, 1966, ending ...., 19.......

1966

Name and address

1 Investment in new and used property **including investment in suspension period property**
NOTE: Include your share of investment in property by a partnership, estate, trust, small business corporation, or lessor.

Type of property	Line	(1) Life years	(2) Cost or basis	(3) Applicable percentage	(4) Investment (Column 2 x column 3)
NEW PROPERTY	(a)	4 or more but less than 6		33 1/3	
	(b)	6 or more but less than 8		66 2/3	
	(c)	8 or more		100	
USED PROPERTY (See instructions for dollar limitation)	(d)	4 or more but less than 6		33 1/3	
	(e)	6 or more but less than 8		66 2/3	
	(f)	8 or more		100	

2 Total investment—Add lines 1(a) through (f) . . . .

3 (a) Amount of investment on line 2 which is attributable to suspension period property . . . .

(b) Amount of exemption from suspension period property (cost of suspension period property in column 2, line 1, which is selected to be treated as qualified property—not to exceed $20,000) . . . .

(c) Enter in column 2 below the amount of investment on line 3(b) according to life years:

(1) Life years	(2) Cost or basis	(3) Applicable percentage	(4) (Column 2 x column 3)
4 or more but less than 6		33 1/3	
6 or more but less than 8		66 2/3	
8 or more		100	

(d) Total of column 4 . . . .

4 Line 3(a) less line 3(d) . . . .

5 Total qualified investment—Line 2 less line 4 . . . .

6 Tentative investment credit—7% of line 5 (3% for public utility property) . . . .

7 Carryback and carryover of unused credit(s) (attach computation) . . . .

8 TOTAL—Add lines 6 and 7 . . . .

LIMITATION

9 (a) Individuals—Enter amount from line 12, page 1, Form 1040 . . . .
(b) Estates and trusts—Enter amount from line 25 or 26, page 1, Form 1041 . . . .
(c) Corporations—Enter amount from line 7, Tax Computation Schedule, Form 1120 . . . . .

10 Individuals, estates and trusts: (a) Foreign tax credit . . . .
(b) Retirement income credit . . . . . .

11 Total—Add lines 10(a) and (b) . . . .

12 Line 9 less line 11 . . . .
(Married persons filing separately, affiliated groups, estates and trusts, see instruction 13)

13 (a) Enter amount on line 12 or $25,000, whichever is lesser . . . .
(b) If line 12 exceeds $25,000, calendar year taxpayers enter 25% of the excess. Fiscal year taxpayers see instruction 13. . . . .

14 Total—Add lines 13(a) and (b) . . . .

15 Less 7% of line 4 (3% for public utility property) . . . .

16 Line 14 less line 15 . . . .

17 Investment credit—Enter amount on line 8 or line 16, whichever is lesser . . . .

SCHEDULE A

If any part of your investment in 1 above was made by a partnership, estate, trust, small business corporation, or lessor complete the following:

Name (Partnership, estate, trust, etc.)	Address	Property		
		New	Used	Life years
		$	$	

GENERAL INSTRUCTIONS

A. Who Must File.—Any individual, estate, trust, or corporation claiming an investment credit must attach this form to its income tax return. Partnerships and small business corporations are not required to file this form but must attach a statement to their returns showing the allocation of investment (including investment in suspension period property) to the partners or shareholders by amount, type and life of property as shown in item 1 of this form. In addition, partnerships must show those investments in suspension period property which the partnership selects to be exempt from suspension period property. Estates and trusts which apportion the investment between the estate or trust and the beneficiaries should in addition to filing this form attach a statement showing the allocation of the investment (including investment in suspension period property) among the beneficiaries.

B. When Allowed.—A credit is allowed against your tax for investment in certain depreciable property having an estimated useful life of 4 years or more for the first year such property is placed in service.

C. Property Defined.—The investment credit is applicable to (a) tangible personal property, (b) real property (except for buildings and their structural components) if used as an integral part of manufacturing, production or extraction, etc., or used as a research or storage facility in connection with these activities, and (c) elevators and escalators.

The investment credit is not applicable to (1) suspension period property; (2) certain property which is used predominantly outside the United States; (3) property used for lodging or in connection with furnishing lodging, except (a) property used in certain commercial facilities located therein (such as a restaurant) or (b) property used by a hotel or motel; (4) property used by a tax-exempt organization (other than in a business to which the unrelated business income tax applies); (5) property used by governmental units; (6) livestock (including racehorses).

D. Election for Leased Property.—A lessor may elect to treat an investment in new property as if made by the lessee instead of the lessor. See section 48(d).

E. Replacement Property.—Where insured property is damaged or destroyed as a result of a casualty or is stolen, reinvestment of the insurance proceeds in replacement property may not be eligible for the investment credit.

F. Recomputed Tax on Early Disposition of Property.—Where property is disposed of prior to the life used in computing the investment credit, the tax for the year in which the property is so disposed of must be increased by the difference between the credit taken on such property and the credit which would have been allowed had the actual life been used. Such increase should be reported on the line provided on your tax return.

G. Carryback and Carryover of Unused Credits.—If the amount of the investment credit exceeds the limitation, the excess shall be an investment credit carryback to each of the 3 preceding taxable years and an investment credit carryover to each of the 7 succeeding taxable years (or to each of the 5 succeeding taxable years if the fifth taxable year after the unused credit year ends before January 1, 1967). A claim for refund based upon the carryback of an unused investment credit may be made on Form 843 or by filing an amended return for the year to which the unused credit is carried. Taxpayers who desire a tentative (quick) refund may file Form 1045 (individuals) or Form 1139 (corporations).

H. Basis and Cost.—The credit for new property applies to the basis of the property. The credit for used property applies to the cost of the property. The cost of used property does not include the basis of any property traded in unless the trade-in resulted in the recapture of all or any portion of an investment credit previously allowed or in a reduction of an investment credit carryback or carryover. No adjustment for additional first-year depreciation or salvage value is required.

I. Suspension Period Property.—The suspension period is the period beginning on October 10, 1966, and ending on March 9, 1967.

Suspension period property is property which would otherwise qualify for the investment credit but does not qualify for the credit because it is property—

(1) whose construction, etc., began during the suspension period or began, pursuant to an order placed during such period, before May 24, 1967, or

(2) which was acquired by the taxpayer during the suspension period or acquired by the taxpayer, pursuant to an order placed during such period, before May 24, 1967.

Property referred to in (1) above will be suspension period property only to the extent of that portion attributable to construction, etc., before May 24, 1967.

J. Exemption from Suspension of $20,000 of Investment.—A taxpayer may select to exempt from suspension of the investment credit up to $20,000 of the cost of investment in suspension period property purchased for use in his trade or business. Thus, up to $20,000 of the cost of such investments which would otherwise be ineligible for the credit may be selected to be treated as qualified property. This exemption applies to property used in a trade or business but not to property used for the production of income.

The $20,000 exemption from suspension is not an annual exemption but is the total amount of suspension period property which may be selected to be treated as qualified property for all taxable years.

In determining the amount selected to be exempt from suspension period property, the following rules apply:

(1) The cost of used property is determined under the same rules set forth in instruction H. Property inherited, received as a gift, or acquired from certain related parties does not qualify.

(2) Affiliated groups must apportion the $20,000 exemption among all members.

(3) The $20,000 limitation applies to a partnership and to each partner.

(4) If a husband and wife file separate returns and if each placed suspension period property in service during the taxable year, the exemption for each may not exceed $10,000.

K. Exceptions to Suspension Period Property.—Section 48(h) (3) through (13) provides exceptions to the definition of suspension period property. In general, if the following type of property is otherwise qualified it will continue to be eligible for the investment credit: (1) Certain water and air pollution control facilities; (2) certain replacement property; (3) property received in certain transfers; (4) property acquired or constructed, etc., pursuant to a binding contract in existence on and after October 9, 1966; (5) property constructed, etc., if such construction, etc., was begun before October 10, 1966; and (6) property acquired, or constructed, etc., pursuant to certain other legal and economic commitments of the taxpayer.

SPECIFIC INSTRUCTIONS

Line 1. *Suspension Period Property.*—Although suspension period property is not eligible for the investment credit, the basis of investment in such property placed in service during the taxable year must be entered in line 1 since it must be taken into account in lines 3, 4, and 15 in determining the credit allowable with respect to investment in qualified property. Used property, whether or not suspension period property, must be entered in line 1 to the extent of the dollar limitation on used property.

New Property.—Enter the basis of property as described in instructions C and H placed in service during the taxable year.

Used Property.—Enter the cost (subject to dollar limitation below) of used property placed in service during the taxable year. Property inherited, received as a gift, or acquired from certain related parties does not qualify for the investment credit. See instruction H above.

Dollar Limitation on Used Property.—In general, the amount of used property (whether or not suspension period property) taken into account may not exceed $50,000. In the case of a husband and wife filing separate returns, and each has used property taken into account, the amount may not exceed $25,000. In the case of a partnership the $50,000 limitation applies to the partnership and to each partner. In the case of affiliated groups, the $50,000 limitation shall be reduced for each member of the group by apportioning $50,000 among the members of such group in accordance with their respective amounts of used property which may be taken into account.

Estates and Trusts.—In the case of an estate or trust the amount of the investment is apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each.

Line 13. *Limitation Based on Amount of Tax.*—The amount on line 13 may not exceed the amount of tax liability if the tax liability is $25,000 or less. For calendar years and other taxable years ending before March 10, 1967, if the tax liability exceeds $25,000, the limitation is $25,000 plus 25% of the excess.

For taxable years ending after March 9, 1967, if the tax liability exceeds $25,000, the applicable percentage to be used in line 13(b) is computed as follows: Number of days in the taxable year after March 9, 1967, divided by total number of days in the taxable year, multiplied by 25%, plus 25%; or $\left(\frac{\text{days}}{365} \times 25\%\right) + 25\% =$ applicable percentage.

In the case of a husband and wife filing separate returns and both have qualified investments, the amount specified on lines 13(a) and (b) shall be $12,500 instead of $25,000. In the case of affiliated groups, the $25,000 specified on lines 13(a) and (b) shall be reduced for each member of the group by apportioning the $25,000 among all members. In the case of an estate or trust, the $25,000 limitation specified on lines 13(a) and (b) shall be reduced to an amount which bears the same ratio to $25,000 as the amount of qualified investment allocated to the estate or trust bears to the entire qualified investment.

U.S. GOVERNMENT PRINTING OFFICE : 1967—O-260-103