

(2) *Costs paid or incurred to acquire a project.* A purchaser of an existing qualified enhanced oil recovery project may claim the credit for any section 43 costs in excess of the acquisition cost. However, costs paid or incurred to acquire an existing qualified enhanced oil recovery project (or an interest in an existing qualified enhanced oil recovery project) are not eligible for the credit.

(3) *Examples.* The following examples illustrate the principles of paragraph (e) of this section.

Example 1. Duplicating or unreasonably increasing the credit. O owns an operating mineral interest in a property with respect to which a qualified enhanced oil recovery project is implemented. O acquires pumping units, rods, casing, and separators for use in connection with the project from an unrelated equipment dealer in an arm's length transaction. The equipment is used for the primary purpose of implementing the project. Some of the equipment acquired by O is used equipment. The costs paid by O for the used equipment are qualified enhanced oil recovery costs. O does not need to determine whether the equipment has been previously used in an enhanced oil recovery project.

Example 2. Duplicating or unreasonably increasing the credit. P and Q are co-owners of an oil property with respect to which a qualified enhanced oil recovery project is implemented. In 1992, P and Q jointly purchase a nitrogen plant to supply the tertiary injectant used in the project. P and Q claim the credit for their respective costs for the plant. In 1994, X, a corporation unrelated to P or Q, purchases the nitrogen plant and enters into an agreement to sell nitrogen to P and Q. Because this transaction duplicates or otherwise unreasonably increases the credit, the credit is not allowable for the amounts incurred by P and Q for the nitrogen purchased from X.

Example 3. Duplicating or unreasonably increasing the credit. The facts are the same as in *Example 2*. In addition, in 1995, P and Q reacquire the nitrogen plant from X. This constitutes the acquisition of property in a manner designed to duplicate or otherwise unreasonably increase the amount of the credit. Therefore, the credit is not allowable for amounts incurred by P and Q for the nitrogen plant purchased from X.

Example 4. Duplicating or unreasonably increasing the credit. R owns an operating mineral interest in a property with respect to which a qualified enhanced oil recovery project is implemented. R acquires a pump that is installed at the site of the project. After the pump has been placed in service for

6 months, R transfers the pump to a secondary recovery project and acquires a replacement pump for the tertiary project. The original pump is suited to the needs of the secondary recovery project and could have been installed there initially. The pumps have been acquired in a manner designed to duplicate or otherwise unreasonably increase the amount of the credit. Depending on the facts, the cost of one pump or the other may be a qualified enhanced oil recovery cost; however, R may not claim the credit with respect to the cost of both pumps.

Example 5. Acquiring a project. In 1993, S purchases all of T's interest in a qualified enhanced oil recovery project, including all of T's interest in tangible property that is an integral part of the project and all of T's operating mineral interest. In 1994, S incurs costs for additional tangible property that is an integral part of the project and which is used for the primary purpose of implementing the project. S also incurs costs for tertiary injectants that are injected in connection with the project. In determining the credit for 1994, S may take into account costs S incurred for tangible property and tertiary injectants. However, S may not take into account any amount that S paid for T's interest in the project in determining S's credit for any taxable year.

[T.D. 8448, 57 FR 54927, Nov. 23, 1992; 58 FR 7987, Feb. 11, 1993]

§ 1.43-5 At-risk limitation. [Reserved]

§ 1.43-6 Election out of section 43.

(a) *Election to have the credit not apply—(1) In general.* A taxpayer may elect to have section 43 not apply for any taxable year. The taxpayer may revoke an election to have section 43 not apply for any taxable year. An election to have section 43 not apply (or a revocation of an election to have section 43 not apply) for any taxable year is effective only for the taxable year to which the election relates.

(2) *Time for making the election.* A taxpayer may make an election under paragraph (a) of this section to have section 43 not apply (or revoke an election to have section 43 not apply) for any taxable year at any time before the expiration of the 3-year period beginning on the last date prescribed by law (determined without regard to extensions) for filing the return for the taxable year. The time for making the election (or revoking the election) is prescribed by section 43(e)(2) and may not be extended under § 1.9100-1.

(3) *Manner of making the election.* An election (or revocation) under paragraph (a)(1) of this section is made by attaching a statement to the taxpayer's federal income tax return or an amended return (or, in the case of a Coordinated Examination Program taxpayer, on a written statement treated as a qualified amended return) for the taxable year for which the election (or revocation) applies. The taxpayer must indicate whether the taxpayer is electing to not have section 43 apply or is revoking such an election and designate the project or projects to which the election (or revocation) applies. For any taxable year, the last election (or revocation) made by a taxpayer within the period prescribed in paragraph (a)(2) of this section determines whether section 43 applies for that taxable year.

(b) *Election by partnerships and S corporations.* For partnerships and S corporations, an election to have section 43 not apply (or a revocation of an election to have section 43 not apply) for any taxable year is made, in accordance with the requirements of paragraph (a) of this section, by the partnership or S corporation with respect to the qualified enhanced oil recovery costs paid or incurred by the partnership or S corporation for the taxable year to which the election relates.

[T.D. 8448, 57 FR 54930, Nov. 23, 1992]

§ 1.43-7 Effective date of regulations.

The provisions of §§ 1.43-1, 1.43-2 and 1.43-4 through 1.43-7 are effective with respect to costs paid or incurred after December 31, 1991, in connection with a qualified enhanced oil recovery project. The provisions of § 1.43-3 are effective for taxable years beginning after December 31, 1990. For costs paid or incurred after December 31, 1990, and before January 1, 1992, in connection with a qualified enhanced oil recovery project, taxpayers must take reasonable return positions taking into consideration the statute and its legislative history.

[T.D. 8448, 57 FR 54931, Nov. 23, 1992]

§ 1.44-1 Allowance of credit for purchase of new principal residence after March 12, 1975, and before January 1, 1977.

(a) *General rule.* Section 44 provides a credit against the tax imposed by chapter 1 of the Internal Revenue Code of 1954 in the case of an individual who purchases a new principal residence (as defined in paragraph (a) of § 1.44-5) which is property to which section 44 applies (as provided in § 1.44-2). Subject to the limitations set forth in paragraph (b) of this section, the credit is in an amount equal to 5 percent of the purchase price (as defined in paragraph (b) of § 1.44-5).

(b) *Limitations—(1) Maximum credit.* The credit allowed under section 44 and this section may not exceed \$2,000.

(2) *Limitation to one residence.* Such credit shall be allowed with respect to only one residence of the taxpayer; the combined purchase prices of more than one new principal residence cannot be aggregated to increase the credit allowed.

(3) *Married individuals.* In the case of a husband and wife who file a joint return under section 6013, the maximum credit allowed on the joint return is \$2,000. In the case of married individuals filing separate returns the maximum credit allowable to each spouse is \$1,000. Where a husband and wife do not make equal contributions with respect to the purchase price of the new principal residence, allocation of the credit is to be made in proportion to their respective ownership interests in such residence. For this purpose, tenants by the entirety or joint tenants with right of survivorship are treated as equal owners.

(4) *Certain other taxpayers.* Where a new principal residence is purchased by two or more taxpayers (other than a husband and wife), the amount of the credit allowed will be allocated among the taxpayers in proportion to their respective ownership interests in such residence, with the limitation that the sum of the credits allowed to all such taxpayers shall not exceed \$2,000. For this purpose, joint tenants with right of survivorship are treated as equal