

Name(s) as shown on return

Identifying number

Part I Current Year Credit

Electricity produced by closed-loop biomass facility placed in service after 1992:
1 Kilowatt hours produced and sold x 0.015
2 Phaseout adjustment
3 Credit for electricity produced by closed-loop biomass facility. Subtract line 2 from line 1
Electricity produced by wind facility placed in service after 1993:
4 Kilowatt hours produced and sold in 1994 (see instructions) x
5 Phaseout adjustment
6 Credit for electricity produced by wind facility. Subtract line 5 from line 4
7 Total credit before reduction. Add lines 3 and 6
Reduction for government grants, subsidized financing, and other credits:
8 Total of government grants, proceeds of tax-exempt government obligations, subsidized energy financing, and any other credits allowed for the project for this and all prior tax years
9 Total of additions to the capital account for the project for this and all prior tax years
10 Divide line 8 by line 9. Show as a decimal carried to 4 places
11 Multiply line 7 by line 10
12 Current year credit. Subtract line 11 from line 7
13 Renewable electricity production credit(s) from flow-through entities:
If you are a- Then enter the credit(s) from-
a Shareholder Schedule K-1 (Form 1120S) lines 12d, 12e, or 13
b Partner Schedule K-1 (Form 1065) lines 13d, 13e, or 14
c Beneficiary Schedule K-1 (Form 1041) line 13
14 Total current year credit. Add lines 12 and 13

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

15a Individuals. Enter amount from Form 1040, line 40
b Corporations. Enter amount from Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1)
c Other filers. Enter regular tax before credits from your return
16 Credits that reduce regular tax before the renewable electricity production credit:
a Credit for child and dependent care expenses (Form 2441, line 10)
b Credit for the elderly or the disabled (Schedule R (Form 1040), line 21)
c Mortgage interest credit (Form 8396, line 11)
d Foreign tax credit (Form 1116, line 32, or Form 1118, Sch. B, line 12)
e Possessions tax credit (Form 5735, line 14)
f Orphan drug credit (Form 6765, line 10)
g Credit for fuel from a nonconventional source
h Qualified electric vehicle credit (Form 8834, line 17)
i Add lines 16a through 16h
17 Net regular tax. Subtract line 16i from line 15
18 Tentative minimum tax (see instructions):
a Individuals. Enter amount from Form 6251, line 26
b Corporations. Enter amount from Form 4626, line 14
c Estates and trusts. Enter amount from Form 1041, Schedule H, line 37
19 Net income tax:
a Individuals. Add line 17 above and line 28 of Form 6251
b Corporations. Add line 17 above and line 16 of Form 4626
c Estates and trusts. Add line 17 above and line 39 of Form 1041, Schedule H
20 If line 17 is more than \$25,000, enter 25% (.25) of the excess (see instructions)
21 Subtract line 18 or line 20, whichever is greater, from line 19. If less than zero, enter -0-
22 Renewable electricity production credit allowed for current year. Enter the smaller of line 14 or line 21. This is your General Business Credit for 1993. Enter here and on Form 1040, line 44; Form 1120, Schedule J, line 4e; Form 1120-A, Part I, line 2a; or on the appropriate line of other income tax returns

## 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:

<b>Recordkeeping</b> . . . . .	9 hr., 34 min.
<b>Learning about the law or the form</b> . . . . .	6 min.
<b>Preparing and sending the form to the IRS</b> . . . . .	16 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 for 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

Form 8835 is used to claim the renewable electricity production credit. The credit is part of the general business credit under section 38 and is figured under section 45. The credit is allowed for the sale of electricity produced in the United States or U.S. possessions from qualified energy resources (see **Definitions**).

### How the Credit Is Figured

The rate of the credit is 1.5 cents per kilowatt hour (Kwh) 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 adjusted threshold price (see next paragraph).

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 (IAF) for the calendar year are published in the Federal Register by April 1 of that year.

If the reference price is less than the threshold price of 8 cents (adjusted by the IAF), there is no reduction. If the reference price is more than 3 cents over 8 cents (adjusted), there is no credit. If the reference price is more than 8 cents (adjusted) but not more than 3 cents above, there is a phaseout adjustment on lines 2 and 5 of Form 8835. See section 45(b) for details.

**Note:** For calendar year 1993, as published in Notice 93-23, 1993-1 C.B. 306, the IAF is 1 and the reference price per Kwh is 0 cents for closed-loop biomass facilities and 4.74 cents for wind facilities. The 1994 IAF and reference prices will be published by April 1, 1994.

For example, if the 1994 reference price is 9 cents and the IAF is 1, you must reduce the credit by  $1/3$  ( $(9 \text{ cents} - 8 \text{ cents})$  divided by  $3 \text{ cents} = 1/3 = .3333$ ). In this example, 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 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 the investment (Form 3468), jobs (Form 5884), 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) credits. The Revenue Reconciliation Act of 1993 added the following four new credits: empowerment zone employment (Form 8844), Indian employment (Form 8845), employer social security and Medicare taxes paid on certain employee tips (Form 8846), and contributions to certain community development corporations (Form 8847). Generally, the new credits are allowed for expenditures incurred after December 31, 1993. See the above forms and **Form 3800**, General Business Credit, for other details.

If you have more than one general business credit 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, 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

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.

**Fiscal year taxpayers.**—If you have sales in 1993 and 1994 and the credit rate on line 1 or phaseout adjustment on line 2 is different for 1993 and 1994, make separate computations for each line. Use the respective sales, credit rate, and phaseout adjustment for each calendar year. Enter the total of the two computations on lines 1 and

2. Attach the computations to Form 8835 and write "FY" to the right of the line entries.

**Line 1.**—Enter the Kwh of electricity produced and sold during the 1993 calendar year from a facility using closed-loop biomass as the renewable resource.

The credit rate for calendar year 1993 is 1.5 cents. If the 1994 IAF is more than 1, the line 1 credit rate will increase and fiscal year filers with sales in 1994 must figure line 1 as explained under **Fiscal year taxpayers**.

**Line 2.**—There is no phaseout adjustment for the 1993 calendar year credit because the published reference price is -0-. If the line 1 credit is based only on calendar year 1993 sales, enter -0- on line 2.

If the 1994 calendar year reference price and IAF result in the reference price exceeding the 8-cent threshold price (adjusted), see **How the Credit Is Figured** for figuring the phaseout adjustment.

**Lines 4, 5, and 6.**—These lines apply only to fiscal year taxpayers who produced and sold electricity from a qualified wind facility in 1994. If the 1994 IAF is more than 1, the credit rate to be entered on line 4 will increase. See **Line 1** instructions for details. If the 1994 reference price for wind facilities is more than the 8-cent threshold price (adjusted), see **How the Credit Is Figured** for an example on figuring the line 5 phaseout adjustment.

**Line 8.**—Enter the sum, for this and all prior tax years, of (a) grants provided by the United States, a state, or political subdivision of a state for the project; (b) proceeds of an issue of state or local government obligations used to provide financing for the project, the interest of which is tax-exempt; (c) total of subsidized energy financing provided directly or indirectly under a Federal, state, or local program provided for the project; and (d) 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.**—Allocate the line 14 credit 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 line 14 credit 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 line 14 entry, enter the estate or trust's share of the credit. Label it "1041 PORTION" and use it in Part II (or Form 3800, if required) to figure the credit to claim on Form 1041.

**Line 18.**—Enter the tentative minimum tax (TMT) 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)(3) for special rules for married couples filing separate returns, controlled groups, and 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. See the separate Instructions for Form 3800 for carryback restrictions and details.

