

(10) *Coordination with section 163(d)*. [Reserved]. See paragraph 1.469-2(f)(10) for rules relating to this paragraph.

(11) *Effective date*. For the effective date of the rules in this paragraph (f), see § 1.469-11T (relating to effective date and transition rules).

[T.D. 8175, 53 FR 5711, Feb. 25, 1988; 53 FR 15494, Apr. 29, 1988; as amended by T.D. 8253, 54 FR 20538, May 12, 1989; T.D. 8290, 55 FR 6981, Feb. 28, 1990; T.D. 8318, 55 FR 48108, Nov. 19, 1990; 55 FR 51688, Dec. 17, 1990; T.D. 8417, 57 FR 20758, May 15, 1992; T.D. 8477, 58 FR 11538, Feb. 26, 1993; T.D. 8495, 58 FR 58788, Nov. 4, 1993]

**§ 1.469-3 Passive activity credit.**

(a)-(d) [Reserved]

(e) *Coordination with section 38(b)*. Any credit described in section 38(b) (1) through (5) is taken into account in computing the current year business credit for the first taxable year in which the credit is subject to section 469 and is not disallowed by section 469 and the regulations thereunder.

(f) *Coordination with section 50*. In the case of any cessation described in section 50(a) (1) or (2), the credits allocable to the taxpayer's activities under § 1.469-1(f)(4) shall be adjusted by reason of the cessation.

(g) [Reserved]

[T.D. 8417, 57 FR 20758, May 15, 1992]

**§ 1.469-3T Passive activity credit (temporary).**

(a) *Computation of passive activity credit*. The taxpayer's passive activity credit for the taxable year is the amount (if any) by which—

(1) The sum of all of the taxpayer's credits that are subject to section 469 for such year; exceeds

(2) The taxpayer's regular tax liability allocable to all passive activities for such year.

(b) *Credits subject to section 469—(1) In general*. Except as otherwise provided in this paragraph (b), a credit is subject to section 469 for a taxable year if and only if—

(i) Such credit—

(A) Is attributable to such taxable year and arises in connection with the conduct of an activity that is a passive activity for such taxable year; and

(B) Is described in—

(1) Section 38(b) (1) through (5) (relating to general business credits);

(2) Section 27(b) (relating to corporations described in section 936);

(3) Section 28 (relating to clinical testing of certain drugs); or

(4) Section 29 (relating to fuel from nonconventional sources); or

(ii) Such credit is allocable to an activity for such taxable year under § 1.469-1T(f)(4).

(2) *Treatment of credits attributable to qualified progress expenditures*. Any credit attributable to an increase in qualified investment under section 46(d)(1)(A) (relating to qualified progress expenditures) with respect to progress expenditure property (as defined in section 46(d)(2)) is subject to section 469 for a taxable year if—

(i) Such credit is attributable to such taxable year;

(ii) Such credit is described in paragraph (b)(1)(i)(B) of this section; and

(iii) It is reasonable to believe that such progress expenditure property will be used in a passive activity of the taxpayer when it is placed in service.

(3) *Special rule for partners and S corporation shareholders*. The character of a credit of a taxpayer arising in connection with an activity conducted by a partnership or S corporation (as a credit subject to section 469) shall be determined, in any case in which participation is relevant, by reference to the participation of the taxpayer in such activity. Such participation is determined for the taxable year of the partnership or S corporation (and not the taxable year of the taxpayer). See § 1.469-2T(e)(1).

(4) *Exception for pre-1987 credits*. A credit is not subject to section 469 if it is attributable to a taxable year of the taxpayer beginning prior to January 1, 1987.

(c) *Taxable year to which credit is attributable*. A credit is attributable to the taxable year in which such credit would be (or would have been) allowed if the credits regard to the limitations contained in sections 26(a), 28(d)(2), 29(b)(5), 38(c), and 469.

(d) *Regular tax liability allocable to passive activities—(1) In general*. For purposes of paragraph (a)(2) of this section, the taxpayer's regular tax liability allocable to all passive activities