

# Recapture of Investment Credit

▶ **Attach to your income tax return.**

Name(s) as shown on return	Identifying number
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Properties	Type of property—State whether rehabilitation, energy, reforestation, or transition property. (See the Instructions for Form 3468 for the year the investment credit property was placed in service for definitions.) If rehabilitation property, also show type of building. If energy property, show type.
<b>A</b>	
<b>B</b>	
<b>C</b>	
<b>D</b>	

### Original Investment Credit

Computation Steps: (See Specific Instructions)	Properties			
	A	B	C	D
1 Original rate of credit . . . . .				
2 Date property was placed in service . . . . .				
3 Cost or other basis . . . . .				
4 Original estimated useful life or class of property . . . . .				
5 Applicable percentage . . . . .				
6 Original qualified investment (Multiply line 3 by the percentage on line 5.) . . . . .				
7 Original credit (Multiply line 6 by the percentage on line 1.) . . . . .				
8 Date property ceased to be qualified investment credit property . . . . .				
9 Number of full years between the date on line 2 and the date on line 8 . . . . .				

### Computation of Recapture Tax

10 Recapture percentage (from instructions) . . . . .				
11 Tentative recapture tax (Multiply line 7 by the percentage on line 10.) . . . . .				
12 Add line 11, columns A through D . . . . .				
13 Enter the recapture tax from property ceasing to be at risk, or for which there was an increase in nonqualified-nonrecourse financing (Attach separate computation.) . . . . .				
14 Add lines 12 and 13. . . . .				
15 Portion of original credit (line 7) not used to offset tax in any year, plus any carryback and carryforward of credits you can now apply to the original credit year because you have freed up tax liability in the amount of the tax recaptured (Do not enter more than line 14—see instructions.) . . . . .				
16 Total increase in tax. Subtract line 15 from line 14. Enter here and on the appropriate line of your tax return				

## 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., 53 min.
- Learning about the law or the form** . . . . . 2 hr., 23 min.
- Preparing, copying, assembling, and sending the form to the IRS** . . . . . 2 hr., 37 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 before amendment by the Revenue Reconciliation Act of 1990 (RRA of 1990), unless otherwise noted.*

### Purpose of Form

Use Form 4255 to figure the increase in tax for the recapture of investment credit claimed.

You must refigure the credit if you claimed it in an earlier year, but disposed of the property before the end of the recapture period or the useful life you used to figure the original credit, whichever applies. Refigure the credit for all property (except nonrecovery placed in service before 1991) when the property ceases to be investment credit property before the end of 5 full years after the property is placed in service (recapture period). For nonrecovery property placed in service before 1991, refigure the credit when the property ceases to be investment credit property before the end of the useful life used to figure the credit. See the line 10 instructions for details.

You must also refigure the credit if you returned leased property (on which you had taken a credit) to the lessor before the end of the recapture period or useful life.

If you claim investment credit for property and the percentage of business use in a later year falls below the percentage for the year the property was placed in service, you are treated as having disposed of part of the property and may have to recapture part of the investment credit.

You must refigure the credit if you changed the use of property so that no longer qualifies as investment credit property. For example, you must refigure the credit if you change the use of property from business use to personal use, or if there is any decrease in the percentage of business use of investment credit property. See sections 50(a)(2) (as amended by the RRA of 1990), 47(a)(3), 47(a)(5)(C), and 49(e)(2) for information on recapture for progress expenditure property. Also, see the instructions for line 13 regarding recapture if property ceases to be at risk, or if there is an increase in nonqualified-nonrecourse financing related to certain at-risk property.

An election to be treated as an S corporation does not automatically trigger recapture of investment credit taken before the election was effective. However, the S corporation is liable for any recapture of investment credit taken before the election.

If property on which you took both regular and energy investment credit ceases to be energy credit property but still qualifies as regular investment credit property, only refigure the energy investment credit. However, if you took both credits, and you dispose of the property, or the property ceases to be both energy and regular investment credit property, you must refigure both credits.

If you are an S corporation, a partnership, or an estate or trust that allocated any or all of the investment credit to your shareholders, partners, or beneficiaries, you must provide the information they need to refigure the credit. See Regulations sections 1.47-4, 1.47-5, and 1.47-6.

**Partners, shareholders, and beneficiaries.**—If your Schedule K-1 shows recapture of investment credit claimed in an earlier year, you will need your copy of the original Form 3468 to complete lines 1 through 9 of this Form 4255.

**Special rules.**—If you claimed a credit on the following kinds of property, see the sections listed below before you complete Form 4255:

Property	Section
Motion picture films and video tapes . . . . .	47(a)(8)
Ships . . . . .	46(g)(4)

If you took any nonconventional source fuel credit, see section 29(b)(4).

**Note:** *The RRA of 1990 changed the rules for property eligible for the rehabilitation credit under section 47, as amended by the RRA of 1990. Increase the basis of this property by 100% of the recapture amount. For details, see sections 50(c)(2) and 50(c)(3), as amended by the RRA of 1990.*

### Specific Instructions

**Note:** *Do not figure the recapture tax on lines 1 through 12 for property ceasing to be at risk, or if there is an increase in nonqualified-nonrecourse financing related to certain at-risk property. Figure the recapture tax for these properties on separate schedules and enter the recapture tax on line 13. Include any unused credit for these properties on line 15.*

**Lines A through D.**—Describe the property for which you must refigure the credit.

Complete lines 1 through 11 for each property on which you are refiguring the credit. Use a separate column for each item. If you must recapture both the energy investment credit and the regular investment credit for the same item, use a separate column for each credit. If you need more columns, use additional Forms 4255, or other schedules that include all the information shown on Form 4255. Enter the total from the separate sheets on line 12.

**Line 1.**—Enter the rate you used to figure the original credit from the Form 3468 that you filed.

See section 46(b)(4) for the rates for qualified rehabilitation expenditures made after 1981.

**Line 2.**—Enter the day, month, and year that the property was available for service.

**Line 3.**—Enter the cost or other basis that you used to figure the original credit.

**Line 4.**—Enter the estimated useful life that you used to figure the original credit for the property.

**Line 5.**—Enter the applicable percentage that you used to figure the original qualified investment from the Form 3468 that you filed.

Generally, the applicable percentage will be 100% for property eligible for the investment credit under section 46, as amended by the RRA of 1990.

**Line 8.**—Generally, this will be the date you disposed of the property. See Regulations section 1.47-1(c) for more information.

**Line 9.**—Do not enter partial years. If the property was held less than 12 months, enter zero.

**Line 10.**—Enter the recapture percentage from the following tables:

Property placed in service after 12/31/90 and recovery property	
If number of full years on line 9 of Form 4255 is:	The recapture percentage is:
0	100
1	80
2	60
3	40
4	20
5 or more	0

Nonrecovery property placed in service before 1991		
If number of full years on line 9 of Form 4255 is:	The recapture percentage for property with an original useful life of:	
	5 or more but less than 7 years is:	7 or more years is:
4	50	66.6
5	0	33.3
6	0	33.3
7 or more	0	0

**Line 12.**—If you have used more than one Form 4255, or separate sheets to list additional items on which you figured an increase in tax, write to the left of the entry space "Tax from attached, \$ ..... ." Include the amount in the total for line 12.

**Line 13.**—For certain taxpayers, the basis or cost of property is limited to the amount the taxpayer is at risk for the property at yearend. The basis or cost must be reduced by the amount of any "nonqualified-nonrecourse financing" related to the property at yearend. If property ceases to be at risk in a later year, or if there is an increase in nonqualified-nonrecourse financing, recapture may be required. See section 49(b), as amended by the RRA of 1990, for details. Attach a separate computation schedule to figure the recapture tax and enter the total tax on line 13.

**Line 15.**—If you did not use all the credit you originally figured, either in the year you figured it or in a carryback or carryforward year, you do not have to recapture the amount of the credit you did not use. In refiguring the credit for the original credit year, be sure to include any carryforwards from previous years, plus any carrybacks arising within the 3 taxable years after the original credit year that are now allowed because the recapture and recomputation of the original credit made available some additional tax liability in that year. See Regulations section 1.47-1(d) and Rev. Rul. 72-221 1972-1 C.B. 15, for details.

**Note:** *You must also take into account any applicable 35% reduction in credit under section 49(c)(2) when computing the amount to enter on line 15.*

Figure the unused portion on a separate sheet and enter it on this line. Do not enter more than the recapture tax on line 14.

**Note:** *Be sure to adjust your current unused credit to reflect any unused portion of the original credit that was entered on line 15 of this form.*