



Instructions for Form 3800

General Business Credit

Section references are to the Internal Revenue Code.

General Instructions

Who Must File

You must file Form 3800 if any of the following apply.

1. You have more than one of the credits listed below (other than the empowerment zone employment credit).
2. You have general credits from an electing large partnership shown in box 7 of Schedule K-1 (Form 1065-B).
3. You have a carryback or carryforward of any of these credits (other than the empowerment zone employment credit).
4. Any of these credits (other than the low-income housing credit or the empowerment zone employment credit) is from a passive activity.
5. You are claiming the trans-Alaska pipeline liability fund credit.

If you are not required to file Form 3800, file only the applicable credit form(s) listed in parentheses below.

The general business credit consists of the following credits:

- Investment (Form 3468),
- Work opportunity (Form 5884),
- Welfare-to-work (Form 8861),
- Alcohol used as fuel (Form 6478),
- Increasing research activities (Form 6765),
- Low-income housing (Form 8586),
- Enhanced oil recovery (Form 8830),
- Disabled access (Form 8826),
- Renewable electricity production (Form 8835),
- Indian employment (Form 8845),
- Employer social security and Medicare taxes paid on certain employee tips (Form 8846),
- Orphan drug (Form 8820),
- Contributions to selected community development corporations (Form 8847), and
- Trans-Alaska pipeline liability fund.

The empowerment zone employment credit, while a part of the general business credit, is figured separately on Form 8844 and never carried to Form 3800.

Carryback and Carryforward of Unused Credit

If you cannot use part or all of the credit because of the tax liability limit, carry the excess credit back 1 tax year. To carry back an excess credit, file an amended income tax return (Form 1040X, 1120X, or other amended return) for the prior tax year or an application for tentative refund

(Form 1045, Application for Tentative Refund, or Form 1139, Corporation Application for Tentative Refund). Generally, if you file an application for tentative refund, it must be filed by the end of the tax year following the tax year in which the credit arose. Special rules apply if you have a research credit carryback attributable to a suspension period. You are not allowed to claim a research credit carryback attributable to the first suspension period before October 1, 2000 (or a carryback attributable to the second suspension period before October 1, 2001). See Form 6765 for more details.

If you have an unused credit after carrying it back, carry it forward to each of the 20 tax years after the year of the credit. Any "qualified business credits" (as defined in section 196(c)) that are unused after that 20-year carryforward period has expired (or at the time a taxpayer dies or goes out of business) may be taken as a deduction in the first tax year following the expiration of the 20-year carryforward period (or in the tax year in which the taxpayer's death or cessation of business occurs). For purposes of this special deduction, only half of the following credits may be taken into account: (a) unused investment credit (other than a credit to which section 48(q)(3) applies as in effect prior to repeal by the Revenue Reconciliation Act of 1990), and (b) unused credit for increasing research activities.

Do not include any carryback or carryforward of the empowerment zone employment credit on Form 3800. Instead, use Form 8844.

Change in marital status. Your general business credit is limited to your tax liability. Therefore, if you filed a joint return in a carryback or carryforward year and your marital status has changed, you may need to figure your separate tax liability in that carryback or carryforward year. This would apply if:

- You filed as single in the credit year, but filed a joint return in the carryback or carryforward year.
- You filed a joint return in the credit year, but filed a joint return with a different spouse in the carryback or carryforward year.
- You were married and filed a separate return in the credit year, but filed a joint return with the same or a different spouse in the carryback or carryforward year.

Determine your separate tax liability in the carryback or carryforward year as follows.

1. Figure your tax for the carryback or carryforward year as though you were married filing a separate return.

2. Figure your spouse's tax in that year as though he or she was married filing a separate return.

3. Add the amounts in steps 1 and 2.

4. Divide the amount in step 1 by the amount in step 3. The result should be rounded to at least three decimal places.

5. Multiply the decimal in step 4 by the total tax shown on your joint return for the carryback or carryforward year. The result is your separate tax liability and a carryback or carryforward credit is applied against this amount only.

Although your carryback or carryforward of the credit is limited to your separate tax liability, the amount of your refund resulting from the carryback or carryforward is further limited to your share of the joint overpayment. This is found by subtracting your separate tax liability (as determined above) from your contribution toward the payment.

Unless you have an agreement or clear evidence of each spouse's contribution toward the payment of the joint liability, your contribution includes the tax withheld on your wages and your share of the joint estimated tax or tax paid with the return. Your share of these payments is found by using the same formula used in determining your separate tax liability. Substitute the joint estimated tax, or tax paid with the return, for the tax in step 5. If the original return for the carryback year resulted in an overpayment, reduce your contribution by your share of the refund.

Attach a copy of the computation to your claim for refund showing how you made the allocations.

Credit ordering rule. Unused general business credits are treated as used on a first-in, first-out basis by offsetting the earliest-earned credits first. Therefore, the order in which the credits are used in any tax year is:

- Carryforwards to that year, the earliest ones first,
- The general business credit earned in that year, and
- The carryback to that year.

When relevant, the components of the general business credit arising in a single tax year are used in the following order.

- Regular investment credit.
- Rehabilitation investment credit.
- Employee plan investment credit carryforward.
- Energy investment credit.
- Reforestation investment credit.
- Work opportunity credit (including any jobs credit carryforward).
- Welfare-to-work credit.
- Credit for alcohol used as fuel.

- Credit for increasing research activities.
- Low-income housing credit.
- Enhanced oil recovery credit.
- Disabled access credit.
- Renewable electricity production credit.
- Indian employment credit.
- Employer social security and Medicare taxes paid on certain employee tips.
- Orphan drug credit.
- Credit for contributions to selected community development corporations.
- Employee stock ownership plan (ESOP) credit carryforward.
- Trans-Alaska pipeline liability fund credit.
- General credits from an electing large partnership.

Although these credits are aggregated as the general business credit, keep a separate record of each credit to ensure that no credits or deductions are lost.

Specific Instructions

Part I—Tentative Credit

Lines 1a–1m. Complete the applicable part (generally Part I) of the appropriate credit form(s) to figure your current year credit(s). Enter this amount on the applicable line 1 entry space(s) and attach the credit form(s) to your return.

Line 1n. Attach a statement that shows how you figured the credit under section 4612(e).

Line 1o. Enter the total of the amounts shown in box 7 of the Schedules K-1 (Form 1065-B) you received from electing large partnerships.

Line 3. Enter the credits included on line 2 that are from passive activities. Generally, a passive activity is a trade or business in which you did not materially participate. Generally, rental activities are passive activities, whether or not you materially participate. See **Form 8582-CR**, Passive Activity Credit Limitations, or **Form 8810**, Corporate Passive Activity Loss and Credit Limitations, for details.

Line 5. Enter the passive activity credit allowed for 1999 from Form 8582-CR or Form 8810. See the instructions for the applicable form for more information.

Line 6. All carryforwards of unused credits that make up the general business credit are added together and become a business credit carryforward to 1999.

For each credit, attach a detailed computation showing (a) the tax year the credit originated, the amount of the credit, and the amount allowed for that year; (b) for each carryback year, the year and the amount of the credit allowed after you applied the carryback; and (c) for each carryforward year, the year and the amount of the credit allowed after you applied the carryforward.

You must reduce by 35% the portion of the business credit carryforward attributable to sections 46(a)(1) regular investment credit and 46(b)(2)(C) and (D) business energy investment credit (as in effect prior to the repeal of these three

sections by the Revenue Reconciliation Act of 1990). Include the reduced credit on line 6. **Do not** reduce any portion of the credit attributable to qualified timber property. If you cannot use all of the reduced credit because line 17a is smaller than line 8, carry forward to your next tax year in the carryforward period the unused portion of the credit and a corresponding portion of the 35% reduction. For example, if you are able to use only half of the credit in 1999, carry forward the other half of the credit and half of the 35% reduction.

Line 7. Use only when you amend your 1999 return to carry back unused credits from 2000. Do not enter the carryback of any unused empowerment zone employment credit on line 7. Instead, enter this carryback on Form 8844.

Part II—General Business Credit Limitation Based on Amount of Tax

Line 9. Enter the regular tax before credits from the following line of the appropriate form or schedule.

- Individuals: Form 1040, line 40.
- Corporations: Form 1120, Schedule J, line 3 (or Form 1120-A, Part I, line 1).
- Other filers: Enter the regular tax before credits from the appropriate line of your tax return.

Line 12. Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

- Individuals: Form 6251, line 28.
- Corporations: Form 4626, line 15.
- Estates and trusts: Form 1041, Schedule I, line 39.

Line 14. Although you may not owe AMT, you generally must still compute the tentative minimum tax (TMT) to figure your credit. For a small corporation exempt from the AMT under section 55(e), enter zero. Otherwise, complete and attach the appropriate AMT form or schedule and enter on line 14 the TMT from the following line of that form or schedule.

- Individuals: Form 6251, line 26.
- Corporations: Form 4626, line 13.
- Estates and trusts: Form 1041, Schedule I, line 37.

Line 15. See section 38(c)(3) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 17b. If line 17a is smaller than line 8, see **Carryback and Carryforward of Unused Credit** on page 1.

Individuals, estates, and trusts. The credit for increasing research activities included on line 17b is limited to the amount of tax attributable to your taxable income from the sole proprietorship or your interest in the partnership, S corporation, estate, or trust (flow-through entity) generating the credit. Figure the research credit limitation separately for each business enterprise by using the following formula:

$$\frac{\text{(Line 13 - line 15)} \times \text{Taxable income attributable to the sole proprietorship or your interest in the flow-through entity}}{\text{Your taxable income for the year}}$$

When using the formula, you are limited to 100% of line 13 minus line 15. If in the current tax year you had no taxable income attributable to a particular business interest, you cannot claim any research credit this year related to that business.

If your research credit is limited by the above formula, refigure the amount to enter on line 17b using only the total of the amount calculated above for the research credit plus the general business credit from other sources. If necessary, follow the **credit ordering rule** on page 1, and be sure to take into account any passive activity credit limitations. Write "Sec. 41(g)" on the dotted line next to line 17b.

Corporations. If the corporation has undergone a post-1986 "ownership change" (as defined in section 382(g)), section 383 may limit the amount of tax that may be offset by pre-change general business credits. Also, if a corporation acquires control of another corporation (or acquires its assets in a reorganization), section 384 may limit the amount of tax attributable to recognized built-in gains that may be offset by pre-acquisition general business credits. If either of these limitations apply, attach a computation of the allowable general business credit, enter the amount on line 17b, and write "Sec. 383" or "Sec. 384" in the margin next to your entry on line 17b.

Line 17c. Subtract line 46 of Form 6765 from the amount of the research credit included on Form 3800, line 17b (but do not enter less than zero). To figure the amount of the research credit included on line 17b, follow the **credit ordering rule** on page 1, if necessary, and be sure to take into account any passive activity credit limitations. See the instructions for Form 6765, line 57, for when and how to claim the suspended research credit allowed for the current year.

Schedule A

C corporations. A corporation (other than an S corporation) may be entitled to a larger general business credit or additional credit against the AMT if it is claiming a regular investment credit carryforward on line 6, some of that investment credit cannot be used because line 17a is smaller than line 8, and it is required to file **Form 4626**, Alternative Minimum Tax—Corporations. Complete Schedule A to determine if the corporation is entitled to this additional credit.

Line 37. Reduce the AMT that the corporation figured on line 15 of Form 4626 by the line 37 amount. Enter the reduced AMT on Form 1120, Schedule J, line 9 (or Form 1120-A, Part I, line 6). See the instructions for the appropriate line of the corporate income tax return for details on reporting the reduced AMT.