

Name(s) shown on return

Identifying number

Part I Current Year Credit

Table with 14 rows for Part I. Includes sections for biomass facility, wind facility, and government grants. Columns include description, calculation, and identifying number.

Part II Allowable Credit (See Who must file Form 3800 to find out if you complete Part II or file Form 3800.)

Table with 25 rows for Part II. Includes sections for regular tax, alternative minimum tax, foreign tax credit, and net income tax. Columns include description, calculation, and identifying number.

## General Instructions

Section references are to the Internal Revenue Code.

### Purpose of Form

Use Form 8835 to claim the renewable electricity production credit. The credit is allowed **only** for the sale of electricity produced in the United States or U.S. possessions from qualified energy resources at a qualified facility (see **Definitions** below).

### How To Figure the Credit

The credit is 1.5 cents per kilowatt-hour (kWh) for the sale of electricity produced by the taxpayer from qualified energy resources at a qualified facility during the credit period (see **Definitions** below). The credit is proportionately phased out over a 3-cent range when the reference price exceeds the 8-cent threshold price. Both the 1.5-cent credit rate and the 8-cent threshold price are adjusted for inflation. The reference price and the inflation adjustment factor (IAF) for each calendar year are published during the year in the Federal Register.

If the reference price is less than the threshold price (adjusted by the IAF), there is no reduction. If the reference price is more than 3 cents over the adjusted threshold price, there is no credit. If the reference price is more than the threshold price, but not more than 3 cents above the adjusted threshold price, there is a phaseout adjustment on lines 2 and 5.

**Example.** If the reference price is 10.0¢ and the adjusted threshold price is 9.0¢, reduce the credit by  $1/3$  ( $(10.0¢ - 9.0¢) \div 3¢ = 1/3 = .3333$ ). Enter the line 1 credit in the first entry space on line 2, .3333 in the second entry space, and multiply to figure the reduction. This also applies to line 5 of the form.

The credit is also reduced for any government grants, subsidized financing, and other credits. See the instructions for line 8 for details.

**Note:** For calendar year 2003, per Notice 2003-29, 2003-20 I.R.B. 917, the credit is 1.8 cents per kWh and there is no phaseout adjustment.

### Definitions

**Qualified energy resources** means closed-loop biomass, poultry waste, and wind.

**Closed-loop biomass** means the use of any organic material from a plant that is planted exclusively for use at a qualified facility to produce electricity. It does not include the use of any waste materials (such as scrap wood, manure, or municipal or agricultural waste) or standing timber.

**Poultry waste** means poultry manure and litter, including wood shavings, straw, rice hulls, and other bedding material for the disposition of manure.

A **qualified facility** is a facility placed in service before 2004 that is:

- A taxpayer-owned facility originally placed in service after 1992 that uses closed-loop biomass to produce electricity;
- A taxpayer-owned facility originally placed in service after 1993 that used wind to produce electricity (see Rev. Rul. 94-31, 1994-1 C.B. 16, for details); or
- A facility of the taxpayer originally placed in service after 1999 that uses poultry waste to produce electricity. If a governmental unit owns the facility, the lessor or operator of the facility is eligible for the credit.

**Caution:** At the time this form was issued, Congress was considering legislation that would also allow this credit with respect to electricity produced at qualified facilities placed in service after 2003. See **What's Hot in Tax Forms, Pubs, and Other Tax Products** at [www.irs.gov/formspubs/index.html](http://www.irs.gov/formspubs/index.html) to find out if this legislation was enacted.

**Credit period** means the 10-year period beginning on the date the facility was originally placed in service.

**United States and U.S. possessions** include the seabed and subsoil of those submarine areas that are adjacent to the territorial waters over which the United States has exclusive rights according to international law.

## Specific Instructions

### Part I—Current Year Credit

Figure any renewable electricity production credit from your trade or business on lines 1 through 12. Skip lines 1 through 12 if you are only claiming a credit that was allocated to you from an S corporation, partnership, estate, or trust.

**Fiscal year taxpayers.** If you have sales in 2003 and 2004 and the credit rate on line 1 or 4 or the phaseout adjustment on line 2 or 5 is different for 2004, 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 or lines 4 and 5. Attach the computations to Form 8835 and write "FY" in the margin.

#### Line 1

Enter the kilowatt-hours of electricity produced and sold during 2003 from a facility using closed-loop biomass or poultry waste as the renewable resource and multiply by \$.018. Fiscal year filers with 2004 sales must figure line 1 as explained under **Fiscal year taxpayers** above.

#### Line 2

Calendar year filers enter zero on line 2. Fiscal year filers with sales in 2004 also enter zero if the published 2004 reference price is equal to or less than the 2004 adjusted threshold price. See **How To Figure the Credit** to figure the adjustment.

#### Line 4

Enter the kilowatt-hours of electricity produced and sold during 2003 that qualify for the credit from a qualified wind facility and multiply by \$.018. Fiscal year filers with 2004 sales must figure line 4 as explained under **Fiscal year taxpayers** above. Generally, no credit is allowed for electricity produced at a qualified wind facility placed in service after June 30, 1999, and sold to a utility under a contract originally entered into before 1987 (whether or not the contract was amended after 1986). See section 45(d)(7) for exceptions and more details.

#### Line 5

Calendar year filers enter zero on line 5. Fiscal year filers with sales in 2004 also enter zero if the published 2004 reference price is equal to or less than the 2004 adjusted threshold price. See **How To Figure the Credit** to figure the adjustment.

#### Line 8

Enter the sum, for this and all prior tax years, of:

- Grants provided by the United States, a state, or political subdivision of a state for the project;

- Proceeds of a tax-exempt issue of state or local government obligations used to provide financing for the project;
- Total of subsidized energy financing provided directly or indirectly under a Federal, state, or local program provided for the project; and
- The amount of any other credit allowable for any property that is part of the project.

**Line 14**

Pass-through entities should report the amount on line 14 as follows.

**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. Electing large partnerships include this credit in "general credits."

**Estates and trusts.** Allocate the line 14 credit 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 on Form 3800, if required) to figure the credit to claim on Form 1041.

**Part II—Allowable Credit**

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit unless you must file **Form 3800**, General Business Credit.

**Who must file Form 3800.** You must file Form 3800 if you have:

- A renewable electricity production credit from a passive activity,
- More than one credit included in the general business credit (other than a credit from Form 8844 or 8884), or
- A carryback or carryforward of any of those credits.

See the instructions for Form 3800 to find out which credits are included in the general business credit.

**Line 16**

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

- Individuals: Form 6251, line 35.
- Corporations: Form 4626, line 14.
- Estates and trusts: Form 1041, Schedule I, line 56.

**Line 21**

See section 38(c)(4) for special rules that apply to married couples filing separate returns, controlled groups, regulated investment companies, real estate investment trusts, and estates and trusts.

**Line 22**

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 applicable AMT form or schedule. Enter on line 22 the TMT from the line shown below.

- Individuals: Form 6251, line 33.
- Corporations: Form 4626, line 12.
- Estates and trusts: Form 1041, Schedule I, line 54.

**Line 25**

If you cannot use all of the credit because of the tax liability limit (line 24 is smaller than line 14), carry the unused credit back 1 year then forward up to 20 years. See the instructions for Form 3800 for details.

**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.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** . . . . . 11 hr., 28 min.
- Learning about the law or the form** . . . . . 24 min.
- Preparing and sending the form to the IRS** . . . . . 36 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

