Credit Recapture Schedule Example:

Corporation A is a corporation eligible for the 3% investment tax credit under M.G.L. c. 63 § 31A. In March of 2015 Corporation A disposes of certain assets for which it had previously claimed the credit. In preparing its 2015 return, Corporation A identifies those assets that ceased to be in qualified service before the end of their useful life and calculates the credit allowed for actual use as required by M.G.L. c. 63 §31A(e) as shown below.

| Period End Date | Qualified Cost for Credit | Original Credit Amount | In Service Date | Tax Life (years) | Disposition Date | Months of Use | Adjusted Credit Percentage | Revised Credit Amount | Tentative Recapture |
|---|---|---|---|---|---|---|---|---|---|
| 12/31/12 | 2,500 | 75 | 12/01/12 | 5 | 03/15/15 | 28 | 46.67% | 35 | 40 |
| 12/31/12 | 15,000 | 450 | 12/01/12 | 7 | 03/15/15 | 28 | 33.33% | 150 | 300 |
| 12/31/12 | 3,000 | 90 | 12/01/12 | 15 | 03/15/15 | 28 | 15.56% | 14 | 76 |
| 12/31/12 | | 615 | | | | | | 199 | |
| 12/31/13 | 4,000 | 120 | 02/28/13 | 5 | 03/15/15 | 25 | 41.67% | 50 | 70 |
| 12/31/13 | 5,000 | 150 | 06/30/13 | 7 | 03/15/15 | 21 | 25.00% | 38 | 112 |
| 12/31/13 | | 270 | | | | | | 88 | |
| 12/31/14 | 7,000 | 210 | 03/31/14 | 5 | 03/15/15 | 12 | 20.00% | 42 | 168 |
| 12/31/14 | 9,000 | 270 | 06/30/14 | 7 | 03/15/15 | 9 | 10.71% | 29 | 241 |
| 12/31/14 | | 480 | | | | | | 71 | |

The difference between the credit originally claimed and the credit allowed for actual use is the tentative recapture tax. Corporation A has $100 of unused credit carried over from the 2013 year available for use in 2015. It also has $480 of unused credit carried over from 2014. These unused credits are used to offset the tentative recapture tax as described in DD 89-7. The Credit Recapture Schedule for the 2015 return is completed as shown below.

| Credit Type | Period End Date | Certificate Number | Original Amount | Revised Amount | Credit Never Used | Addition to Excise |
|---|---|---|---|---|---|---|
| INVTAX | 12/31/2012 | | 615 | 199 | 0 | 416 |
| INVTAX | 12/31/2013 | | 270 | 88 | 100 | 82 |
| INVTAX | 12/31/2014 | | 480 | 71 | 480 | 0 |

Where all of the credits from 2012 have been taken, the recapture tax for that year is amount originally allowed ($615) less the amount allowed for actual use ($199) or $416. For the 2013 credits, the tentative recapture is reduced by $100 (from $182 down to $82) and the tentative recapture for the 2014 credits is fully offset by unused credits from that year. Corporation A will add $498 to excise for the 2015 tax year.

In completing the *Credit Manager Schedule* for the 2015 return, Corporation A must take into account the portion of the carryover used to offset potential recaptures when determining the amount available for use in the 2015 taxable year. Corporation A will reduce the ITC carryover from the 2013 tax year by $100 (from $100 to zero) and will reduce the ITC carryover from the 2014 year by $409 (reporting only $71 in column (e) instead of $480 as the credit available from the 2014 tax year) to reflect the recapture offsets.