

1995 Recycling Equipment Credit

3527

Attach this form to your California tax return. Complete a separate form for each manufacturing facility.

Name(s) as shown on return	Social security number or California corporation number
	Federal employer identification number (FEIN)

Address (number and street) of the manufacturing facility where the recycling equipment was installed

City or town	State	ZIP Code
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Part I Qualified Property Complete this part only if you placed qualified property in service on or before December 31, 1993.

Do you have certification from the California Integrated Waste Management Board for your equipment purchased in 1993? Yes No If "No" you cannot claim this credit. See General Information E.

Part II Recycling Equipment Credit

(a) Year Acquired	(b) Original Cost Up to Maximum (\$625,000)	Credit Available by Year				
		1991	1992	1993	1994	1995
1 1989						
2 1990						
3 1991						
4 1992						
5 1993				20% x column (b)	15% x column (b)	5% x column (b)
6 Credit carryover from prior years						
7 Total	(Not to exceed \$625,000) see instructions					

Caution: Your credit may be limited. See the instructions for line 7.

Part III Computation of Carryover Do not complete this part if you must file Schedule P (100, 540, 540NR or 541).

8 Amount of recycling equipment credit claimed on current year tax return. See instructions for line 7	8	
9 Carryover to future years. Subtract line 8 from line 7.	9	

General Instructions

A Purpose

Use this form to figure and claim your recycling equipment credit. You may claim this credit if you purchased and placed in service qualified recycling equipment on or after January 1, 1989 and before January 1, 1994. The credit is 40 percent of the cost of qualified recycling equipment located in California. You must claim the credit over three years. In the third year the qualified property is in service, claim the remaining 5 percent of the cost. Complete a separate form for each manufacturing facility.

B Who Must File

To qualify for this credit:

- only property placed in service on or before December 31, 1993 qualifies;

- your recycling equipment must be certified by the California Integrated Waste Management Board as qualified property;
- your recycling equipment must not have been previously certified;
- you must have paid or incurred the costs of purchasing qualified recycling equipment;
- the total adjusted basis of all qualified property owned on the last day of the income or taxable year must exceed the largest total adjusted basis of all qualified property owned at any one time during the base year; and
- the total capacity of the qualified property to use recycled materials on the last day of the income or taxable year must exceed the largest total capacity of the qualified property at any one time during the base year.

If you dispose of or no longer use the property that qualified for this credit, any amount

that would have been allowed as a credit for the income or taxable year of disposition or nonuse is not allowed.

With the exception of a husband and wife, if two or more taxpayers share the costs eligible for the credit, each taxpayer is eligible to receive the credit in proportion to the respective share of costs paid or incurred. In the case of a husband and wife filing separate returns, the credit may be taken by either or divided equally between them.

C Definitions

Qualified property means machinery or equipment located in California that you use exclusively to manufacture finished products composed of at least 50 percent secondary waste material, including at least 10 percent postconsumer waste generated in California. Qualified property may include manufacturing equipment that uses 100 percent secondary

waste, including at least 80 percent postconsumer waste, where all of that material is contained in a finished product regardless of the finished product's percent of postconsumer content. Qualified property includes, but is not limited to, deinking equipment used in the production of fine quality paper, equipment used in the production of compost, equipment used to reclaim plastic that is used either as a raw material by a manufacturer or is sold to a manufacturer for use in the manufacture or fabrication of finished products, equipment that processes used plastic milk bottles into flakes, and equipment that manufactures toys from the pellets.

Postconsumer waste means products generated in California by a business or consumer that have served their intended end uses and would normally be disposed of as solid waste, having completed their life cycle as a consumer item.

Preconsumer waste means those materials generated during any step in the production of a product, that have been removed from or otherwise diverted from the solid waste stream for the purpose of recycling. Preconsumer waste does not include manufacturing waste.

Manufacturing waste means those materials and by-products generated from, and commonly reused in, a manufacturing process. For example, mill broke.

Secondary waste means products generated in California that, if not recovered, would be solid waste, and that are intended for sale, use, reuse, or recycling. Secondary waste includes preconsumer and postconsumer waste, but excludes manufacturing waste.

Finished product means a marketable product or component of a product that has an economic value to a consumer and is ready to use without further alteration of its form.

Compost means the product resulting from the controlled biological decomposition of organic wastes that are sourced separate from the municipal solid waste stream, or

which are separated at a centralized facility. Compost includes vegetable, yard and wood wastes which are not hazardous waste. Compost is a finished product if it meets all the criteria of the definition of finished product.

Base year is the income or taxable year immediately preceding the first income or taxable year you claim this credit.

Recycle or recycling means the process of collecting, sorting, cleansing, treating, and reconstituting materials that would become solid waste, and returning them to the economic mainstream in the form of raw materials for new, reused, or reconstituted products which meet the quality standards necessary to be used in the market place.

Facility means a single distribution terminal, plant or refinery and any such property adjacent to the terminal, plant or refinery.

D Basis of Equipment

You must reduce the basis of any recycling equipment for which a credit is allowed by the credit amount. Reduce the basis each income or taxable year by the amount of the credit you claim that income or taxable year.

E Additional Information

For more information about qualified recycling property, contact:

**ATTN TAX CREDIT CERTIFICATION
CALIFORNIA INTEGRATED WASTE
MANAGEMENT BOARD
8800 CAL CENTER DRIVE
SACRAMENTO CA 95826
(916) 255-2410**

No credit will be allowed unless the Board has certified the equipment. Keep a copy of the certificate for your records. You should provide a copy to the Franchise Tax Board **only** on request.

Specific Line Instructions

Line 1 through line 5, column (b) – Include any amount passed through to you from part-

nerships, limited liability companies, S corporations, estates and trusts.

If qualified property owned in the base year is replaced by property of larger capacity, you must prorate the eligible costs to reflect only the increase in capacity.

Divide the difference in capacity by the total capacity, then multiply that percentage by the cost of replacement property to determine the prorated eligible costs.

Do not enter an amount on line 1 through line 5, that will bring the total of column (b) to more than \$625,000. See instructions for line 7, column (b).

Line 7, column (b) – The cost of all qualifying equipment purchased since January 1, 1989, for the five year period ending December 31, 1993, may not exceed \$625,000 per facility.

Line 7 – The amount of this credit you may claim on your tax return may be limited. See the credit instructions in your tax booklet to see if there are any limitations on the amount of credit you may claim. These instructions also explain how to claim this credit on your tax return. If filing Form 540, Form 540NR or Form 541, you must use credit code number **174** to claim this credit.

The credit can not reduce the minimum franchise tax (corporations and S corporations), the alternative minimum tax (corporations, fiduciaries and individuals), the built-in gains tax (S corporations) and the excess net passive income tax (S corporations).

S corporations may claim only one-third of this credit against tax. S corporations may pass through to shareholders 100 percent of this credit.

If the amount of the credit exceeds your tax for the income or taxable year, you may carry over the excess to succeeding income or taxable years. Apply the carryover to the earliest years possible.