COOPERATIVE EXTENSION UNIVERSITY OF CALIFORNIA

ECONOMICS

SUBJECT: INVESTMENT CREDIT

DATE: November 1978

INVESTMENT CREDIT ON UNITARY LIVESTOCK FACILITIES PURCHASED SINCE 1970

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I've been seeking some clarification from IRS on claiming investment credit for unitary livestock facilities purchased in "taxable years ending after August 15, 1971." As you know, the new tax law supposedly allows investment credit on these facilities if they were purchased after 1970 for farmers who file on a calendar year basis. However, IRS informs me that for 1971, 1972, 1973, and 1974, the investment credit will not be retroactively allowed unless (1) a case is still pending with IRS or in one of the tax courts, or (2) taxes have been paid within the last two years. (This could occur if an old case had been settled and taxes paid within the last two years.)

Thus, farmers who did not claim investment credit on unitary livestock facilities purchased 1971 through 1974, cannot receive a tax refund unless one of the above situations applies. Even farmers who claimed the investment credit during this period and lost a case with IRS, cannot get the tax refund unless they qualify as indicated above.

For years 1975, 1976, and 1977, claims can be filed and probably will be honored, but this will open the return up for other audits as well. In other words, the usual "statute of limitations" rule applies. Claims for 1975 will have to be filed by March 1, 1979; those for 1976, by March 1, 1980; and those for 1977, by March 1, 1981. Claims can be filed in the usual manner on 1040X.

My IRS contact said that this interpretation will come out in the Joint Committee explanation of the Act which has not yet been printed. It may not be as tough as it appears now, but I think we should advise farmers not to rush in and file claims for years other than 1975, 1976, and 1977 at the present time.

Source: The preceding information is quoted from a memorandum written on November 17, 1978 by James T. Hall, Economist, Management, Office of the Deputy Director for Extension, U.S.D.A., Washington, D.C.

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