

SEC. 38. GENERAL BUSINESS CREDIT.

(a) ALLOWANCE OF CREDIT.--

There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of--

38(a)(1) the business credit carryforwards carried to such taxable year,

38(a)(2) the amount of the current year business credit, plus

38(a)(3) the business credit carrybacks carried to such taxable year.

(b) CURRENT YEAR BUSINESS CREDIT.--

For purposes of this subpart, the amount of the current year business credit is the sum of the following credits determined for the taxable year:

38(b)(1) the investment credit determined under section 46(a),

38(b)(2) the targeted jobs credit determined under section 51(a),

38(b)(3) the alcohol fuels credit determined under section 40(a), plus

38(b)(4) the employee stock ownership credit determined under section 41(a).

(c) LIMITATION BASED ON AMOUNT OF TAX.--

38(c)(1) IN GENERAL.--The credit allowed under subsection (a) for any taxable year shall not exceed the sum of--

38(c)(1)(A) so much of the taxpayer's net tax liability for the taxable year as does not exceed \$25,000, plus

38(c)(1)(B) 85 percent of so much of the taxpayer's net tax liability for the taxable year as exceeds \$25,000.

38(c)(2) NET TAX LIABILITY.--For purposes of paragraph (1), the term "net tax liability" means the tax liability (as defined in section 26(b)), reduced by the sum of the credits allowable under subparts A and B of this part.

38(c)(3) SPECIAL RULES.--

38(c)(3)(A) MARRIED INDIVIDUALS.--In the case of a husband or wife who files a separate return, the amount specified under subparagraphs (A) and (B) of paragraph (1) shall be \$12,500 in lieu of \$25,000. This subparagraph shall not apply if the spouse of the

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taxpayer has no business credit carryforward or carryback to, and has no current year business credit for, the taxable year of such spouse which ends within or with the taxpayer's taxable year.

38(c)(3)(B) CONTROLLED GROUPS.--In the case of a controlled group, the \$25,000 amount specified under subparagraphs (A) and (B) of paragraph (1) shall be reduced for each component member of such group by apportioning \$25,000 among the component members of such group in such manner as the Secretary shall by regulations prescribe. For purposes of the preceding sentence, the term "controlled group" has the meaning given to such term by section 1563(a).

38(c)(3)(C) LIMITATIONS WITH RESPECT TO CERTAIN PERSONS.--In the case of a person described in subparagraph (A) or (B) of section 46(e)(1), the \$25,000 amount specified under subparagraphs (A) and (B) of paragraph (1) shall equal such person's ratable share (as determined under section 46(e)(2)) of such amount.

38(c)(3)(D) ESTATES AND TRUSTS.--In the case of an estate or trust, the \$25,000 amount specified under subparagraphs (A) and (B) of paragraph (1) shall be reduced to an amount which bears the same ratio to \$25,000 as the portion of the income of the estate or trust which is not allocated to beneficiaries bears to the total income of the estate or trust.

(d) SPECIAL RULES FOR CERTAIN REGULATED COMPANIES.--

In the case of any taxpayer to which section 46(f) applies, for purposes of sections 46(f), 47(a), 196(a), and 404(i) and any other provision of this title where it is necessary to ascertain the extent to which the credits determined under section 40(a), 46(a), or 51(a) are used in a taxable year or as a carryback or carryforward, the order in which such credits are used shall be determined on the basis of the order in which they are listed in subsection (b).