(2) Transfers of debt more than 1 year after initial borrowing not treated as increasing non qualified nonrecourse financing. -- For purposes of paragraph (1), the amount of nonqualified nonrecourse financing (within the meaning of subsection (a)(1)(D)) with respect to the taxpayer shall not be treated as increased by reason of a transfer of (or agreement to transfer) any evidence of any indebtedness if such transfer occurs (or such agreement is entered into) more than 1 year after the date such indebtedness was incurred.
(3) Special rules for certain energy property. -- Rules similar to the rules of section 47(d)(3) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this subsection.
(4) Special rule. -- Any increase in tax under paragraph (1) shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit allowable under subpart A, B, D, or G.

50. Other special rules
(a) Recapture in case of dispositions, etc. -- Under regulations prescribed by the Secretary --
(1) Early disposition, etc. --
(A) General rule. -- If, during any taxable year, investment credit property is disposed of, or otherwise ceases to be investment credit property with respect to the taxpayer, before the close of the recapture period., then the tax under this chapter for such taxable year shall be increased by the recapture percentage of the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted solely form reducing to zero any credit determined under this subpart with respect to such property.
(B) Recapture percentage. -- For purposes of subparagraph (A), the recapture percentage shall be determined in accordance with the following table:

If the property ceases to be investment credit property within --	The recapture percentage is:
(i) One full year after placed in service	100
(ii) One full year after the close of the period described in clause (i)	80
(iii) One full year after the close of the period described in clause (ii)	60
(iv) One full year after the close of the period described in clause (iii)	40
(v) One full year after the close of the period described in clause (iv)	20

(2) Property ceases to qualify for progress expenditures. --
(A) In general. -- If during any taxable year any building to which section 47(d) applied ceases (by reason of sale or other disposition, cancellation or abandonment of contract, or otherwise) to be, with respect to the taxpayer, property which, when placed in service, will be a qualified rehabilitated building, then the tax under this chapter for such taxable year shall be increased by an amount equal to the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted solely from reducing to zero the credit determined under this subpart with respect to such building.
(B) Certain excess credit recaptured. -- Any amount which would have been applied as a reduction under paragraph (2) of section 47(b) but for the fact that a reduction under such paragraph cannot reduce the amount taken into account under section 47(b)(1) below zero shall

be treated as an amount required to be recaptured under subparagraph (A) for the taxable year during which the building is placed in service.
(C) Certain sales and leasebacks. -- Under regulations prescribed by the secretary, a sale by, and leaseback to, a taxpayer who, when the property is placed in service, will be a lessee to whom the rules referred to in subsection (c)(4) apply shall not be treated as a cessation described in subparagraph (A) to the extent that the amount which will be passed through to the lessee under such rules with respect to such property is not less than the qualified rehabilitation expenditures properly taken into account by the lessee under section 47(d) with respect to such property.
(D) Coordination with paragraph (1). -- If, after property is placed in service, there is a disposition or other cessation described in paragraph (1), then paragraph (1) shall be applied as if any credit which was allowed by reason of section 47(d) and which has not been required to be recaptured before such disposition, cessation, or change in use were allowable for the taxable year the property was laced in service.
(E) Special rules. -- Rules similar to the rules of this paragraph shall apply in cases where qualified progress expenditures were taken into account under the rules referred to in section 48(a)(5)(A).
(3) Carrybacks and carryovers adjusted. -- In the case of any cessation described in paragraph (1) or (2), the carrybacks and carryovers under section 39 shall be adjusted by reason of such cessation.
(4) Subsection not to apply in certain cases. -- Paragraphs (1) and (2) shall not apply to --
(A) a transfer by reason of death, or
(B) a transaction to which section 381(a) applies.
For purposes of this subsection, property shall not be treated as ceasing to be investment credit property with respect to the taxpayer by reason of a mere change in the form of conducting the trade or business so long as the property is retained in such trade or business as investment credit property and the taxpayer retains a substantial interest in such trade or business.
(5) Definitions and special rules. --
(A) Investment credit property. -- For purposes of this subsection, the term "investment credit property" means any property eligible for a credit determined under this subpart.
(B) Transfer between spouses or incident to divorce. -- In the case of any transfer described in subsection (a) of section 1041 (i) the foregoing provisions of this subsection shall not apply, and (ii) the same tax treatment under this subsection respect to the transferred property shall apply to the transferee as would have applied to the transferor.
(C) Special rule. -- Any increase in tax under paragraph (1) or (2) shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit allowable under subpart A, B, D, or G.
(b) Certain property not eligible. -- No credit shall be determined under this subpart with respect to --
(1) Property used outside United States. --
(A) In general. -- Except as provided in subparagraph (B), no credit shall be determined under this subpart with respect to any property which is used predominantly outside the United States.
(B) Exceptions. -- Subparagraphs (A) shall not apply to any property described in section 168(g)(4).
(2) Property used for lodging. -- No credit shall be determined under this subpart with respect to any property which is used predominantly to furnish lodging or in connection with the furnishing of lodging. The preceding sentence shall not apply to --
(A) nonlodging commercial facilities which are available to persons not using the lodging

facilities on the same basis as they are available to persons using the lodging facilities.
(B) property used by a hotel or motel in connection with the trade or business of furnishing lodging where the predominant portion of the accommodations is used by transients;
(C) a certified historic structure to thee extent of that portion of the basis which is attributable to qualified rehabilitation expenditures; and
(D) any energy property.
(3) Property used by certain tax-exempt organizations. -- No credit shall be determined under this subpart with respect to any property used by an organization (other than a cooperative described in section 521) which is exempt from the tax imposed by this chapter unless such property is used predominantly in an unrelated trade or business the income of which is subject to tax under section 511. If the property is debt-financed property (as defined in section 54(b), the amount taken into account for purposes of determining the amount of the credit under this subpart with respect to such property shall be that percentage of the amount (which but for this paragraph would be so taken into account) which is the same percentage as is used under section 514(a), for the year the property is taken into account during such taxable year with respect to such property. If any qualified rehabilitated building is used by the tax-exempt organization pursuant to a lease, this paragraph shall not apply for purposes for determining the amount of the rehabilitation credit.
(4) Property used by governmental units or foreign persons or entities. --
(A) In general. -- No credit shall be determined under this subpart with respect to any property used --
(i) by the United States, any State or political subdivision thereof, any possession of the United States, or any agency or instrumentality of any of the foregoing, or
(ii) by any foreign person or entity (as defined in section 168(h)(2)(C)), but only with respect to property to which section 168(h)(2)(A)(iii) applies (determined after the application of section 168(h)(2)(B)).
(B) Exception for short-term leases. -- This paragraph and paragraph (3) shall not apply to any property by reason of use under a lease with a term of less than 6 months (determined under section 168(i)(3)).
(C) Exception for qualified rehabilitated buildings leased to governments, etc. -- If any qualified rehabilitated building is leased to a governmental unit (or a foreign person or entity) this paragraph shall not apply for purposes of determining the rehabilitation credit with respect to such building.
(D) Special rules for partnerships, etc. -- For purposes of this paragraph and paragraph (3), rules similar to the rules of paragraphs (5) and (6) of section 168(h) shall apply.
(c) Basis adjustment to investment credit property. --
(1) In general. -- For purposes of this subtitle, if a credit is determined under this subpart with respect to any property, the basis of such property shall be reduced by the amount of the credit so determined.
(2) Certain dispositions. -- If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under paragraph (1), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term "recapture amount" means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (a).
(3) Special rule. -- In the case of any energy credit or reforestation credit --
(A) only 50 percent of such credit shall be taken into account under paragraph (1), and

(B) only 50 percent of any recapture amount attributable to such credit shall be taken into account under paragraph (2).
(4) Recapture of reductions. --
(A) In general. -- For purposes of sections 1245 and 1250, any reduction under this subsection shall be treated as a deduction allowed for depreciation.
(B) Special rule for section 1250. -- For purposes of section 1250(b), the determination of what would have been the depreciation adjustments under the straight line method shall be made as if there had been no reduction under this section.
(5) Adjustment in basis of interest in partnership of S corporation. -- The adjusted basis of --
(A) a partner's interest in a partnership, and
(B) stock in an S corporation,
shall be appropriately adjusted to take into account adjustments made under this subsection in the basis of property held by the partnership or S corporation (as the case may be).
(d) Certain rules made applicable. -- For purposes of this subpart, rules similar to the rules of the following provisions (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply:
(1) Section 46(e) (relating to limitations with respect to certain persons).
(2) Section 46(f) (relating to limitation in case of certain regulated companies).
(3) Section 46(h) (relating to special rules for cooperatives).
(4) Paragraphs (2) and (3) of section 48(b) (relating to special rule for sale-leasebacks).
(5) Section 48(d) (relating to certain leased property).
(6) Section 48(f) (relating to estates and trusts).
(7) Section 48(r) (relating to certain 501(d) organizations.

51. Amount of credit
(a) Determination of amount. -- For purposes of section 38, the amount of the targeted jobs credit determined under this section for the taxable year shall be equal to 40 percent of the qualified first-year wages for such year.
(b) Qualified wages defined. -- For purposes of this subpart --
(1) In general. -- The term "qualified wages" means the wages paid or incurred by the employer during the taxable year to individuals who are members of a targeted group.
(2) qualified first-year wages. -- The term "qualified first-year wages" means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.
(3) Only first $6,000 of wages per year taken into account. -- The amount of the qualified first-year wages which may be taken into account with respect to any individual shall not exceed $6,000 per year.
(c) Wages defined. -- For purposes of this subpart --
(1) In general. -- Except as otherwise provided in this subsection (d)(8)(D), and subsection (h)(2), the term "wages" has the meaning given to such term by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such section).
(2) On-the-job training and work supplementation payments. --
(A) Exclusion for employers receiving on-the-job training payments. --
The term "wages" shall not include any amounts paid or incurred by an employer for any period to any individual for whom the employer receives federally funded payments for on-the-job training of such individuals for such period.
(B) Reduction for work supplementation payments to employers. -- The amount of wages which

would (but for this subparagraph) be qualified wages under this section for an employer with respect to an individual for a taxable year shall be reduced by an amount equal to the amount of the payments made to such employer (however utilized by such employer) with respect to such individual for such taxable year under a program established under section 482(e) of the Social Security Act.

(3) Payments for services during labor disputes. -- If --

(A) the principal place of employment of an individual with the employer is at a plant or facility, and

(B) there is a strike or lockout involving employees at such plant or facility,

the term "wages" shall not include any amount paid or incurred by the employer to such individual for services which are the same as, or substantially similar to, those services performed by employees participating in , or affected by, the strike or lockout during the period of such strike or lockout.

(4) Termination. -- The term "wages" shall not include any amount paid or incurred to an individual who begins work for the employer after June 30, 1992 incurred to an individual who begins work for the employer after June 30, 1992.

(d) Members of targeted groups. -- For purposes of this subpart --

(1) In general. -- An individual is a member of a targeted group if such individual is --

(A) a vocational rehabilitation referral,

(B) an economically disadvantaged youth,

(C) an economically disadvantaged Vietnam-era veteran,

(D) an SSI recipient,

(E) a general assistance recipient,

(G) a youth participating in a cooperative education program,

(G) an economically disadvantaged ex-convict,

(H) an eligible work incentive employee,

(I) an involuntarily terminated CETA employee, or

(J) a qualified summer youth employee.

(2) Vocational rehabilitation referral. -- The term "vocational rehabilitation referral" means any individual who is certified by the designated local agency as --

(A) having a physical or mental disability which, for such individual, constitutes or results in a substantial handicap to employment, and

(B) having been referred to the employer upon completion of (or while receiving) rehabilitative services pursuant to --

(i) an individualized written rehabilitation plan under a State plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973, or

(ii) a program of vocational rehabilitation carried out under chapter 31 of title 38, United States Code.

(3) Economically disadvantage youth. --

(A) In general. -- The term "economically disadvantaged youth" means any individual who is certified by the designated local agency as --

(i) meeting the age requirements of subparagraph (B), and

(ii) being a member of an economically disadvantaged family (as determined under paragraph (11)).

(B) Age requirements. -- An individual meets the age requirements of this subparagraph if such individual has attained age 18 but not age 23 on the hiring date.

(4) Vietnam veteran who is a member of an economically disadvantaged family. -- The term

"Vietnam veteran who is a member of an economically disadvantaged family" means any individual who is certified by the designated local agency as --
(A)(i) having served on active duty (other than active duty for training) in the Armed Forces of the United states for a period of more than 180 days, any part of which occurred after August 4, 1964, and before May 8, 1975, or
(ii) having been discharged or released from active duty in the Armed Forces of the United States for a service-connected disability if any part of such active duty was performed after August 4, 1964, and before May 8, 1975,
(B) not having any day during the preemployment period which was a day of extended active duty in the Armed Forces of the United States, and
(C) being a member of an economically disadvantaged family (determined under paragraph (11)).
For purposes of subparagraph (B), the term "extended active duty" means a period of more than 90 days during which the individual was on active duty (other than active duty for training).
(5) SSI recipients. -- The term "SSI recipient" means any individual who is certified by the designated local agency as receiving supplemental security income benefits under title XVI of the Social Security Act (including supplemental security income benefits of the type described in section 1616 of such Act or section 212 of Public Law 93-66) for any month ending in the preemployment period.
(6) General assistance recipients. --
(A) In general. -- the term "general assistance recipient" means any individual who is certified by the designated local agency as receiving assistance under a qualified general assistance program for nay period of not less than 30 days ending within the preemployment period.
(B) Qualified general assistance program. -- The term "qualified general assistance program" means any program of a State or a political subdivision of a State --
(i) which provides general assistance or similar assistance which --
(I) is based on need, and
(II) consists of money payments or voucher or scrip, and
(ii) which is designated by the Secretary (after consultation with the Secretary of Health and Human Services) as meeting the requirements of clause (i).
(7) Economically disadvantaged ex-convict. -- The term "economically disadvantaged ex-convict" means any individual who is certified by the designated local agency --
(A) as having been convicted of a felony under any statute of the United States or any State,
(B) as being a member of an economically disadvantaged family (as determined under paragraph (11)), and
(C) as having a hiring date which is not more than 5 years after the last date on which such individual was so convicted or was released from prison.
(8) Youth participating in a qualified cooperative education program. --
(A) In general. -- The term "youth participating in a qualified cooperative education program" means any individual who is certified by the school participating in the program as --
(i) having attained age 16 and not having attained age 20,
(ii) not having graduated from a high school or vocational school,
(iii) being enrolled in an actively pursuing a qualified cooperative education program, and
(iv) being a member of an economically disadvantaged family (as determined under paragraph (11)).
(B) Qualified cooperative education program defined. -- The term "qualified cooperative education program" means a program of vocational education for individuals who (throughout

written cooperative arrangements between a qualified school and 1 or more employers) receive instruction (including required academic instruction) by alternation of study and school with a job in any occupational field (but only if these 2 experiences are planned by the school and employer so that each contributes to the student's education and employability).
(C) Qualified school defined. -- The term "qualified school" means --
(i) a specialized high school used exclusively or principally used for the provision of vocational education to individuals who are available for study in preparation for entering the labor market,
(ii) the department of a high school exclusively or principally used for providing vocational education to persons who are available for study in preparation for entering the labor market, or
(iii) a technical or vocational school used exclusively or principally for the provision of vocational education to persons who have completed or left high school and who are available for study in preparation for entering the labor market.
A school which is not a public school shall be treated as a qualified school only if it is exempt form tax under section 501(a).
(D) Wages. -- In the case of remuneration attributable to services performed while the individual meets the requirements of clauses (i), (ii), and (iii) of subparagraph (A), wages, and unemployment insurance wages, shall be determined without regard to section 3306(c)(10)(C).
(9) Eligible work incentive employees. -- The term "eligible work incentive employee" means an individual who has been certified by the designated local agency as --
(A) being eligible for financial assistance under part A of title IV of the Social Security Act and as having continually received such financial assistance during the 90-day period which immediately precedes the date on which such individual is hired by the employer, or
(B) having been placed in employment under a work incentive program established under section 432(b)(1) or 445 of the Social Security Act.
(10) Involuntarily terminated CETA employee. -- The term "involuntarily terminated CETA employee" means an individual who is certified by the designated local agency as having been involuntarily terminated after December 31, 1980, form employment financed in whole or in part under a program under part D of title II or title VI of the Comprehensive Employment and training Act. This paragraph shall not apply to any individual who beings work for the employer after December 31, 1982.
(11) Members of economically disadvantaged families. -- An individual is a member of an economically disadvantaged family if the designated local agency determines that such individual was a member of family which had an income during the 6 months immediately preceding the earlier of the month in which such determination occurs or the month in which the hiring date occurs, which on an annual basis, would be 70 percent or less of the Bureau of Labor Statistics lower living standard. Any such determination shall be valid for the 45-day period beginning on the date such determination is made. Any such determination with respect to an individual who is a qualified summer youth employee or youth participating in a qualified cooperative education program with respect to any employer shall also apply for purposes of determining whether such individual is a member of another targeted group with respect to such employer.
(12) Qualified summer youth employee. --
(A) In general. -- The term "qualified summer youth employee" means an individual --
(i) who performs services for the employer between may 1 and September 15,
(ii) who is certified by the designated local agency as having attained age 16 but not 18 on the hiring date (or if later, on may 1 of the calendar year involved),
(iii) who has not been an employee of the employer during any period prior to the 90-day period

described in subparagraph (B)(iii), and
(iv) who is certified by the designated local agency as being a member of an economically disadvantage family (as determined under paragraph (11)).
(B) Special rules for determining amount of credit. -- For purposes of applying this subpart to wages paid or incurred to any qualified summer youth employee --
(i) subsection (b)(2) shall be applied by substituting "any 90-day period between May 1 and September 15" for "the 1-year period beginning with the day the individual begins work for the employer", and
(ii) subsection (b)(3) shall be applied by substituting "$3,000" for "$6,000".
(C) Special rule for continued employment for same employer. -- In the case of an individual who, with respect to the same employer, is certified as a member of another targeting group after such individual has been a qualified summer youth employee, paragraph (14) shall be applied by substituting "certified" for "hired by the employer".
(13) Preemployment period. -- The term "preemployment period" means the 60-day period ending on the hiring date.
(14) Hiring date. -- The term "hiring date" means the day the individual is hired by the employer.
(15) Designated local agency. -- The term "designated local agency" means a State employment security agency established in accordance with the Act of June 6, 1933, as amended (29 U.S>C> 49-49n).
(16) Special rules for certification. --
(A) In general. -- An individual shall not be treated as a member of a targeted group unless, on or before the day on which such individual begins work for the employer, the employer --
(i) has received a certification from a designated local agency that such individual is a member of a targeted group, or
(ii) has requested in writing such certification form the designated local agency.
For purposes of the preceding sentence, if on or before the day on which such individual begins work for the employer, such individual has received from a designated local agency (or other agency or organization designated pursuant to a written agreement with such designated local agency) a written preliminary determination that such individual is a member of a targeted group, then "the fifth day" shall be substituted for "the day" in such sentence.
(B) Incorrect certifications. -- If --
(i) an individual has been certified as a member of a targeted group, and
(ii) such certification is incorrect because it was based on false information provided by such individual,
the certification shall be revoked and wages paid by the employer after the date on which notice of revocation is received by the employer shall not be treated as qualified wages.
(C) Employer request must specify potential basis for eligibility. -- In any request for a certification of an individual as a member of a targeted group, the employer shall --
(i) specify each subparagraph (but not more than 2) of paragraph (1) by reason of which the employer believes that such individual is such a member, and
(ii) certify that a good faith effort was made to determine that such individual is such a member.
(f) Remuneration must be for trade or business employment. --
(1) In general. -- For purposes of this subpart, remuneration paid by an employer to an employee during any taxable year shall be taken into account only if more than one-half of the remuneration so paid is for services performed in a trade or business of the employer.
(2) Special rule for certain determination. -- Any determination as to whether paragraph (1), or

subparagraph (A) or (B) of subsection (h)(1), applies with respect to any employee for any taxable year shall be made without regard to subsections (a) and (b) of section 52.
(g) United States Employment Service to notify employers of availability of credit. -- The United States Employment Service, in consultation with the Internal Revenue service, shall take such steps as may be necessary or appropriate to keep employers apprised of the availability of the targeted jobs credit determined under this subpart.
(h) Special rules for agricultural labor and railway labor. -- For purposes of this subpart --
(1) Unemployment insurance wages. --
(A) Agricultural labor. -- If the services performed by any employee for an employer during more than one-half of any pay period (within the meaning of section 33069d)) taken into account with respect to any year constitute agricultural labor (within the meaning of section 3306(k)), the term "unemployment insurance wages" means, with respect to the remuneration paid by the employer to such employee for such year, and amount equal to so much of such remuneration as constitutes "wages" within the meaning of section 3121(a), except that the contribution and benefit base for each calendar year shall be deemed to be $6,000.
(B) Railway labor. -- If more than one-half of remuneration paid by an employer to an employee during any year is remuneration for service described in section 3306(c)(9), thee term "unemployment insurance wages" means, with respect to such employee for such year, and amount equal to so much of the remuneration paid to such employee during such year which would be subject to contributions under section 8(a) of the Railroad Unemployment Insurance Act (45 U.S.C. 358(a)) if the maximum amount subject to such contributions were $500 per month.
(2) Wages. -- In any case to which subparagraph (A) or (B) of paragraph (1) applies, the term "wages" means unemployment insurance wages (determined without regard to any dollar limitation).
(i) Certain individuals ineligible. --
(1) Related individuals. -- No wages shall be taken into account under subsection (a) with respect to an individual who --
(A) bears any of the relationships described in paragraphs (1) through (8) of section 152(a) to the taxpayer, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation (determined with the application of section 267(c)),
(B) if the taxpayer is an estate or trust, is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in paragraphs (1) through (8) of section 152(a) to a grantor, beneficiary, or fiduciary of the estate or trust, or
(C) is a dependent (described in section 152(a)(9)) of the taxpayer, or, if the taxpayer is a corporation, of an individual described in subparagraph (A), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.
(2) Nonqualifying rehires. -- No wages shall be taken into account under subsection (a) with respect to any individual if, prior to the hiring date of such individual, such individual had been employed by the employer at any time during which he was not a member of a targeted group.
(3) Individuals not meeting minimum employment period. -- No wages shall be taken into account under subsection (a) with respect to any individual unless such individual either --
(A) is employed by the employer at least 90 days (14 days in the case of an individual described in subsection (d)(12)), or
(B) has completed at least 120 hours (20 hours in the case of an individual described in subsection (d)(12)) of services performed for the employer.

(j) Election to have targeted jobs credit not apply. --
(1) In general. -- A taxpayer may elect to have this section not apply for any taxable year.
(2) Time for making election. -- An election under paragraph (1) for any taxable year may be made (or revoked) at any time before the expiration of the 3-year period beginning on the last date prescribed by law for filing the return for such taxable year (determined without regard to extensions).
(3) Manner of making election. -- An election under paragraph (1) (or revocation thereof) shall be made in such manner as the Secretary may by regulations prescribe.
(k) treatment of successor employers; treatment of employees performing services for other persons. --
(1) treatment of successor employers. -- Under regulations prescribed by the secretary, in the case of a successor employer referred to in section 3306(b)(1), the determination of the amount of the credit under this section with respect to wages paid by such successor employer shall be made in the same manner as if such wages were paid by the predecessor employer referred to in such section.
(2) Treatment of employees performing services for other persons. -- No credit shall be determined under this section with respect to remuneration paid by an employer to an employee for services performed by such employee for another person unless the amount reasonably expected to be received by the employer for such services form such other person exceeds the remuneration paid by the employer to such employee for such services.

52. Special rules
(a) Controlled group of corporations. -- For purposes of this subpart, all employees of all corporations which are members of the same controlled group of corporations shall be treated as employed by a single employer. In any such case, the credit (if any) determined under section 51(a) with respect to each such member shall be its proportionate share of the wages giving rise to such credit. For purposes of this subsection, the term "controlled group of corporations" has the meaning given to such term by section 1563(a), except that --
(1) "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears in section 1563(a)(1), and
(2) the determination shall be made without regard to subsections (a)(4) and (e)(3)(C) of section 1563.
(b) Employees of partnerships, proprietorships, etc., which are under common control. -- For purposes of this subpart, under regulations prescribed by the Secretary --
(1) all employees of trades or business (whether or not incorporated) which are under common control shall be treated as employed by a single employer, and
(2) the credit (if any) determined under section 51(a) with respect to each trade or business shall be its proportionate share of the wages giving rise to such credit.
The regulations prescribed under this subsection shall be based on principles similar to the principles which apply in the case of subsection (a).
(c) tax-exempt organizations. -- No credit shall be allowed under section 38 for any targeted jobs credit determined under this subpart to any organization (other than a cooperative described in section 521) which is exempt form income tax under this chapter.
(d) Estates and trusts. -- In the case of an estate or trust --
(1) the amount of the credit determined under this subpart for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each, and

(2) any beneficiary to whom any amount has been apportioned under paragraph (1) shall be allowed, subject to section 38(c), a credit under section 38(a) for such amount.
(e) Limitations with respect to certain persons. -- Under regulations prescribed by the secretary, in the case of --
(1) an organization to which section 593 (relating to reserves for losses on loans) applies,
(2) a regulated investment company or real estate investment trust subject to taxation under subchapter M (section 851 and following), and
(3) a cooperative organization described in section 13819a),
rules similar to the rules provided in subsections (e) and (h) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply in determining the amount of the credit under this subpart.

53. Credit for prior year minimum tax liability
(a) allowance of credit. -- There shall be allowed as a credit against the tax imposed by this chapter for any taxable year an amount equal to the minimum tax credit for such taxable year.
(b) Minimum tax credit. -- For purposes of subsection (a), the minimum tax credit for any taxable year is the excess (if any) of ---
(1) thee adjusted net minimum tax imposed for all prior taxable years beginning after 1986, over
(2) the amount allowable as a credit under subsection (a) for such prior taxable years.
(c) Limitation. -- The credit allowable under subsection (a) for any taxable year shall not exceed the excess (if any) of --
(1) the regular tax liability of the taxpayer for such taxable year reduced by the sum of the4 credits allowable under subparts A, B, D, E, and F of this part, over
(2) the tentative minimum tax for the taxable year.
(d) Definitions. -- For purposes of this section --
(1) Net minimum tax. --
(A) In general. -- The term "net minimum tax" means the tax imposed by section 55.
(B) Credit not allowed for exclusion preferences. --
(i) Adjusted net minimum tax. -- The adjusted net minimum tax for any taxable year is --
(I) the amount of the net minimum tax for such taxable year, reduced by
(II) the amount which would be the net minimum tax for such taxable year if the only adjustments and items of tax preference taken into account were those specified in clause (ii) and if section 59(a)(2) did not apply.
(ii) Specified items. -- The following are specified in this clause --
(I) the adjustments provided for in subsection (b)(1) of section 56, and
(II) the items of tax preference described in paragraphs (1), (5), and (6) of section 57(a).
(iii) Special rule. -- The adjusted net minimum tax for the taxable year shall be increased by the amount of the credit not allowed under section 29 (relating to credit for producing fuel form a nonconventional source) solely by reason of the application of section 29(b)(5)(B) or not allowed under section 28 solely by reason of the application of section 28(d)(2)(B).
(iv) Credit allowable for exclusion preferences of corporations. --
In the case of a corporation --
(I) the preceding provisions of this subparagraph shall not apply, and
(II) the adjusted net minimum tax for any taxable year is the amount of the net minimum tax for such year increased by the amount of any credit not allowed under section 29 solely by reason of the application of section 29(b)(5)(B) or not allowed under section 28 solely by reason of the application of section 28(d)(2)(B).

(2) Tentative minimum tax. -- The term "tentative minimum tax" has the meaning given to such term by section 55(b).

55. Alternative minimum tax imposed
(a) General rule. -- There is hereby imposed (in addition to any other tax imposed by this subtitle) a tax equal to the excess (if any) of --
(1) the tentative minimum tax for the taxable year, over
(2) the regular tax for the taxable year.
(b) Tentative minimum tax. -- For purposes of this part --
(1) In general. -- The tentative minimum tax for the taxable year is --
(A) 20 percent (24 percent in the case of a taxpayer other than a corporation) of so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount, reduced by
(B) the alternative minimum tax foreign tax credit for the taxable year.
(2) Alternative minimum taxable income. -- The term "alternative minimum taxable income" means the taxable income of the taxpayer for the taxable year --
(A) determined with the adjustments provided in section 56 and section 58, and
(B) increased by the amount of the items of tax preference described in section 57.
If a taxpayer is subject to the regular tax, such taxpayer shall be subject to the tax imposed by this section (and, if the regular tax is determined by reference to an amount other than taxable income, such amount shall be treated as the taxable income of such taxpayer for purposes of the preceding sentence).
(c) Regular tax. --
(1) In general. -- For purposes of this section, the term "regular tax" means the regular tax liability for the taxable year (as defined in section 26(b)) reduced by the foreign tax credit allowable under section 27(a) and the section 936 credit allocable under section 27(b0. Such term shall not include any tax imposed by section 402(e) and shall not include any increase in tax under section 49(b) or 50(a) or subsection (j) or (k) of section 42.
(d) Exemption amount. -- For purposes of this section --
(1) Exemption amount for taxpayers other than corporations. -- In the case of a taxpayer other than a corporation, the term "exemption amount" means --
(A) $40,000 in the case of --
(i) a joint return, or
(ii) a surviving spouse,
(B) $30,000 in the case of an individual who
(i) is not a married spouse, and
(ii) is not a surviving spouse, and
(C) $20,000 in the case of --
(i) a married individual who files a separate return, or
(ii) an estate or trust.
For purposes of this paragraph, the term "surviving spouse" has the meaning given to such term by section 2(a), and marital status shall be determined under section 7703.
(2) Corporations. -- In the case of a corporation, the term "exemption amount" means $40,000.
(3) Phase-out of exemption amount. -- The exemption amount of any taxpayer shall be reduced (but not below zero) by an amount equal to 25 percent of the amount by which the alternative minimum taxable income of the taxpayer exceeds --
(A) $150,000 in the case of a taxpayer described in paragraph (1)(A) or (2),

(B) $112,500 in the case of a taxpayer described in paragraph (1)(B), and
(C) $75,000 in the case of a taxpayer described in paragraph (1)(C).
In the case of a taxpayer described in paragraph (1)(C)(i), alternative minimum taxable income shall be increased by the lesser of (i) 25 percent of the excess of alternative minimum taxable income (determined without regard to this sentence) over $155,000, or (ii) $20,000.

56. Adjustments in computing alternative minimum taxable income
(A) Adjustments applicable to all taxpayers. -- In determining the amount of the alternative minimum taxable income for any taxable year the following treatment shall apply (in lieu of the treatment applicable for purposes of computing the regular tax):
(1) Depreciation. --
(A) In general. --
(i) Property other than certain personal property. -- Except as provided in clause (ii), the depreciation deduction allowable under section 167 with respect to any tangible property placed in service after December 31, 1986, shall be determined under the alternative system of section 168(g).
(ii) 150-percent declining balance method for certain property. --
The method of depreciation used shall be --
(I) the 150 percent declining balance method,
(II) switching to the straight line method for the 1st taxable year for which using the straight line method with respect to the adjusted basis as of the beginning of the year will yield a higher allowance.
The preceding sentence shall not apply to any section 1250 property (as defined in section 1250(c)) or to any other property if the depreciation deduction determined under section 168 with respect to such other property for purposes of the regular tax is determined by using the straight line method.
(B) Exception for certain property. -- This paragraph shall not apply to property described in paragraph (1), (2), (3), or (4) of section 168(f).
(C) Coordination with transitional rules. --
(i) In general. -- This paragraph shall not apply to property placed in service after December 31, 1986, to which the amendments made by section 201 of the Tax Reform Act of 1986 do not apply by reason of section 203, 204, or 251(d) of such Act.
(ii) Treatment of certain property placed in service before 1987. --
This paragraph shall apply to any property to which the amendments made by section 201 of the Tax Reform Act of 1986 apply by reason of an election under section 203(a)(1)(B) of such Act without regard to the requirement of subparagraph (A) that the property be placed in service after December 31, 1986.
(D) Normalization rules. -- With respect to public utility property described in section 168(i)(10), the Secretary shall prescribe the requirements of a normalization method of accounting for this section.
(2) Mining exploration and development costs. --
(A) In general. -- With respect to each mine or other natural deposits (other than an oil, gas, or geothermal well) of the taxpayer, the amount allowable as a deduction under section 616(a) or 617(a) (determined without regard to section 291(b)) in computing the regular tax for costs paid or incurred after December 31, 1986, shall be capitalized and amortized ratably over the 10-year period beginning with the taxable year in which the expenditures were made.
(B) Loss allowed. -- If a loss is sustained with respect to any property described in subparagraph

(A), a deduction shall be allowed for the expenditures described in subparagraph (A) for the taxable year in which such loss is sustained in an amount equal to the lesser of --
(i) the amount allowable under section 165(a) for the expenditures if they had remained capitalized, or
(ii) the amount of such expenditures which have not previously been amortized under subparagraph (A).
(3) treatment of certain long-term contracts. -- In thee case of any long-term contract entered into by the taxpayer on or after March 1, 1986, the taxable income from such contract shall be determined under the percentage of completion method of accounting (as modified by section 460(b0). For purposes of the preceding sentence, in the case of a contract described in section 460(e)(1), the percentage of the contract completed shall be determined under section 460(b)(2) by using the simplified procedures for allocation of costs described under section 460(b)(4). The first sentence of this paragraph shall not apply to any home construction contract (as defined in section 460(e)(6)).
(4) Alternative tax net operating loss deduction. -- The alternative tax net operating loss deduction shall be allowed in lieu of the net operating loss deduction allowed under section 172.
(5) Pollution control facilities. -- In the case of any certified pollution control facility placed in service after December 31, 1986, the deduction allowable under section 169 (without regard to section 291) shall be determined under the alternative system of section 168(g).
(6) Installment sales of certain property. -- In the case of any disposition after March 1, 1986, of any property described in section 1221(l), income from such disposition shall be determined without regard to the installment method under section 453. This paragraph shall not apply to any disposition with respect to which an election is in effect under section 453(l)(2)(B).
(7) Adjusted basis. -- The adjusted basis of any property to which paragraph (1) or (5) applies (or with respect to which there are any expenditures to which paragraph (2) or subsection (b)(2) applies) shall be determined on the basis of the treatment prescribed in paragraph (1), (2), or (5), or subsection (b)(2), whichever applies.
(8) Section 87 not applicable . -- Section 87 (relating to alcohol fuel credit) shall not apply.
(b) Adjustments applicable to individuals. -- In determining the amount of the alternative minimum taxable income of any taxpayer (other than a corporation), the following treatment shall apply (in lieu of the treatment applicable for purposes of computing the regular tax):
(1) Limitation on deductions. --
(A) In general. -- No deduction shall be allowed --
(i) for any miscellaneous itemized deduction (as defined in section 67(b)), or
(ii) for any taxes described in paragraph (1), (2), or (3) of section 164(a).
Clause (ii) shall not apply to any amount allowable in computing adjusted gross income.
(B) Medical expenses. -- In determining the amount allowable as a deduction under section 213, subsection (a) of section 23 shall be applied by substituting "10 percent" for "7.5 percent".
(C) Interest. -- In determining the amount allowable as a deduction for interest, subsections (d) and (h) of section 163 shall apply, except that --
(i) in lieu of the exception under section 163(h)(2)(D), the term "personal interest" shall not include any qualified housing interest (as defined in subsection (e)),
(ii) sections 163(d)(6) and 163(h)(5) (relating to phase-ins) shall not apply,
(iii) interest on any specified private activity bond (and any amount treated as interest on a specified private activity bond under section 57(a)(5)(B)), and any deduction referred to in section 57(a)(5)(A), shall be treated as includable in gross income (or as deductible) for purposes of applying section 163(d).

(iv) in lieu of the exception under section 163(d)(3)(B)(i), the term "investment interest" shall not include any qualified housing interest (as defined in subsection (e)), and
(v) the adjustments of this section and sections 57 and 58 shall apply in determining net investment income under section 163(d).
(D) Treatment of certain recoveries. -- No recovery of any tax to which subparagraph (A)(ii) applied shall be included in gross income for purposes of determining alternative minimum taxable income.