

Internal Revenue Service, Treasury

§ 1.50B-5

WIN employees	1	2	3	4	5	Total
Partner L (3/10)	1,800	1,500	1,200	1,200	900	6,600
Partner M (2/10)	1,200	1,000	800	800	600	4,400
Partner N (5/10)	3,000	2,500	2,000	2,000	1,500	11,000

Assume that partners L, M, and N did not directly incur any other WIN expenses during their taxable year in which falls December 31, 1973 (the last day of LMN partnership's taxable year) and that such partners did not own any interest in other partnerships, electing small business corporations, estates, or trusts that incurred WIN expenses. The total WIN expenses of partner L are \$6,600, of partner M are \$4,400, and of partner N are \$11,000.

[38 FR 6164, Mar. 7, 1973]

§ 1.50B-5 Limitations with respect to certain persons.

(a) *Mutual savings institutions.* In the case of an organization to which section 593 applies (that is, a mutual savings bank, a cooperative bank, or a domestic building and loan association)—

(1) WIN expenses shall be 50 percent of the amount otherwise determined under paragraph (a) of §1.50B-1, and

(2) The \$25,000 amount specified in section 50A(a)(2), relating to limitation based on amount of tax, shall be reduced by 50 percent of such amount.

For example, a domestic building and loan association incurs \$30,000 in WIN expenses (as determined under paragraph (a) of §1.50B-1) during its taxable year. However, under this paragraph such amount is reduced to \$15,000 (50 percent of \$30,000). If an organization to which section 593 applies is a member of a controlled group (as defined in section 50A(a)(5)), the \$25,000 amount specified in section 50A(a)(2) shall be reduced in accordance with the provisions of paragraph (f) of §1.50A-1 before such amount is further reduced under this paragraph.

(b) *Regulated investment companies and real estate investment trusts.* (1) In the case of a regulated investment company or a real estate investment trust subject to taxation under subchapter M, chapter 1 of the Code—

(i) The WIN expenses determined under paragraph (a) of §1.50B-1, and

(ii) The \$25,000 amount specified in section 50A(a)(2), relating to limitation based on amount of tax,

shall be reduced to such person's ratable share of each such amount. If a regulated investment company or a real estate investment trust is a member of a controlled group (as defined in section 50A (a)(5)), the \$25,000 amount specified in section 50A(a)(2) shall be reduced in accordance with the provisions of paragraph (f) of §1.50A-1 before such amount is further reduced under this paragraph.

(2) A person's ratable share of the amount described in subparagraph (1)(i) and the amount described in subparagraph (1)(ii) of this paragraph shall be the ratio which—

(i) Taxable income for the taxable year, bears to,

(ii) Taxable income for the taxable year plus the amount of the deduction for dividends paid taken into account under section 852(b)(2)(D) in computing investment company taxable income, or under section 857(b)(2)(B) (section 857(b)(2)(C), as then in effect, for taxable years ending before October 5, 1976) in computing real estate investment trust taxable income, as the case may be.

For purposes of the preceding sentence, the term "taxable income" means, in the case of a regulated investment company, its investment company taxable income (within the meaning of section 852(b)(2)) and, in the case of a real estate investment trust its real estate investment trust, taxable income (within the meaning of section 857(b)(2)). In the case of a taxable year ending after October 4, 1976, real estate investment trust taxable income, for purposes of this paragraph, is determined by excluding any net capital gain, and by computing the deduction for dividends paid without regard to capital gains dividends (as defined in section 857(b)(3)(C)). The amount of the deduction for dividends paid includes the amount of deficiency dividends (other than capital gains deficiency

dividends) taken into account in computing investment company taxable income or real estate investment trust taxable income for the taxable year. See section 860(f) for the definition of deficiency dividends.

(3) This paragraph may be illustrated by the following example:

Example. (i) Corporation X, a regulated investment company subject to taxation under section 852 of the Code, which makes its return on the basis of the calendar year, incurs WIN expenses of \$30,000 during the year 1974. Corporation X's investment company taxable income under section 852 (b)(2) is \$10,000 after taking into account a deduction for dividends paid of \$90,000.

(ii) Under this paragraph, Corporation X's WIN expenses for the taxable year 1974 is \$3,000, computed as follows: (a) \$30,000 (WIN expenses), multiplied by (b) \$10,000 (taxable income), divided by (c) \$100,000 (taxable income plus the deduction for dividends paid). For 1974, the \$25,000 amount specified in section 50A(a)(2) is reduced to \$2,500.

(c) *Cooperatives.* (1) In the case of a cooperative organization described in section 1381(a)—

(i) The WIN expenses determined under paragraph (a) of § 1.50B-1, and

(ii) The \$25,000 amount specified in section 50A(a)(2), relating to limitation based on amount of tax,

shall be reduced to such cooperative's ratable share of each such amount (as determined under subparagraph (2) of this paragraph). If a cooperative organization described in section 1381(a) is a member of a controlled group (as defined in section 50A(a)(5)), the \$25,000 amount specified in section 50A(a)(2) shall be reduced in accordance with the provisions of paragraph (f) of § 1.50A-1 before such amount is further reduced under this paragraph.

(2) A cooperative's ratable share of the amount described in subparagraph (1)(i) and the amount described in subparagraph (1)(ii) of this paragraph shall be the ratio which—

(i) Taxable income for the taxable year, bears to

(ii) Taxable income for the taxable year plus the sum of (a) the amount of the deductions allowed under section 1382(b), and (b) the amount of the deductions allowed under section 1382(c), and (c) amounts similar to the amounts described in (a) and (b) of this subdivision the tax treatment of which is de-

termined without regard to subchapter T, chapter 1 of the Code and the regulations thereunder.

(3) This paragraph may be illustrated by the following example:

Example. (i) Cooperative X, an organization described in section 1381(a) which makes its return on the basis of the calendar year, incurs WIN expenses of \$30,000 for the taxable year 1972. Cooperative X's taxable income is \$10,000 after taking into account deductions of \$30,000 allowed under section 1382(b), and deductions of \$60,000 allowed under section 1382(c).

(ii) Under this paragraph, Cooperative X's WIN expenses for the taxable year 1972 are \$3,000, computed as follows: (a) \$30,000 (WIN expenses), multiplied by (b) \$10,000 (taxable income), divided by (c) \$100,000 (taxable income plus the sum of deductions allowed under sections 1382(b) and 1382(c)). For 1972, the \$25,000 amount specified in section 50A(a)(2) is reduced to \$2,500.

(Sec. 860(e) (92 Stat. 2849, 26 U.S.C. 860(e)); sec. 860(g) (92 Stat. 2850, 26 U.S.C. 860(g)); sec. 7805 (68A Stat. 917, 26 U.S.C. 7805))

[38 FR 6164, Mar. 7, 1973, as amended by T.D. 7767, 46 FR 11262, Feb. 6, 1981; T.D. 7936, 49 FR 2105, Jan. 18, 1984]

§ 1.51-1 Amount of credit.

(a) *Determination of amount—(1) General rule.* Except as provided in paragraph (a)(2) of this section, the amount of the targeted jobs credit for purposes of section 38 (formerly designated section 44B) for the taxable year equals 50 percent of the qualified first-year wages (minus any qualified first-year wages paid to individuals while such individuals are qualified summer youth employees) plus 25 percent of the qualified second-year wages.

(2) *Special rule for employment of qualified summer youth employees.* In the case of an employer who pays or incurs qualified wages after April 30, 1983, to a qualified summer youth employee beginning work for the employer after such date, the amount of the targeted jobs credit for the taxable year is equal to the amount determined under paragraph (a)(1) of this section plus an amount equal to 85 percent of the first \$3,000 of qualified wages paid to each qualified summer youth employee during the taxable year. Such wages must be attributable to services tendered by the qualified summer youth employee during any 90-day period beginning on