

COMMERCIAL/INDUSTRIAL SOLAR ENERGY TAX CREDIT

(ESTABLISHED UNDER A.R.S. §41-1510.01)

SUMMARY

The primary goal of the Commercial/Industrial Solar Energy Tax Credit Program is to stimulate the production and use of solar energy in commercial, industrial or any other non-residential applications by offsetting the initial cost of solar energy devices. The program achieves this goal by providing an income tax credit for the installation of solar energy devices in Arizona business facilities.

An Arizona income tax credit is offered to businesses that install one or more solar energy devices in their Arizona facilities. The tax credit is equal to 10% of the installed cost of the solar energy device not to exceed \$25,000 in credits for one building in a single tax year and \$50,000 total credits per business per tax year. Tax credits may be used to offset Arizona income tax liability; any unused credit amounts may be carried forward for a five-year period. The tax credit is available for tax years beginning from and after December 31, 2005 through December 31, 2018.

The Arizona Commerce Authority (ACA) cannot certify tax credits under this program that exceed \$1 million in any calendar year. Therefore, tax credits are authorized on a first-come, first-served basis, according to a priority placement number issued by the ACA.

A business seeking tax credits under this program must apply to the ACA for initial certification. A business must submit a separate application for each building. If more than one device will be installed at a building, the business must submit a separate project page for each solar energy device. The ACA will issue initial certification to each eligible solar energy device and assign a unique identifying number. The business must submit a completion report when each device is operational. A priority placement number will be assigned by the ACA to each completion report on the date of receipt. The date the solar device becomes operational will determine the calendar year cap from which the allocation is made.

If the review of the completion report is favorable, the ACA shall issue a credit certificate to the business and transmit the certification information to the Arizona Department of Revenue (Revenue). Once the business receives the credit certificate, the credit can be claimed by the business and used to offset Arizona tax liability or passed through to a third-party organization for use.

Organizations exempt from taxation under Title 43 Chapter 12 of Arizona statutes are eligible to receive a commercial/industrial tax credit for installing a solar energy device A.R.S. §43-1085(A)(2). The credit generated may be passed on to a third-party organization that financed, installed or manufactured the device. Credits are claimed on a tax return for the tax year identified on the credit certificate.

The **definition of a solar energy device** for the Commercial/Industrial Solar Energy Tax Credit Program is set forth by statute:

“Solar energy device means a system or series of mechanisms designed primarily to provide heating, to provide cooling, to produce electrical power, to produce mechanical power, to provide solar day lighting or to provide any combination of the foregoing by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce electricity. Solar energy systems may also have the capability of storing solar energy for future use. Passive systems shall clearly be designed as a solar energy device, such as a trombe wall, and not merely as a part of a normal structure, such as a window.”

ADDITIONAL INCENTIVES

The Commercial/Industrial Solar Energy Tax Credit Program is administered through the ACA. However, additional incentives are offered by Revenue, including:

1. A transaction privilege tax exemption (TPT exemption) on:
 - The total sales price of solar energy devices sold by retailers that are registered with Revenue. See A.R.S. §§42-5061 and 42-5001;
 - Gross income derived from contracts to provide and install solar energy devices. There is no limit on the amount of the contract. The prime contractor must be registered with Revenue to receive the TPT exemption. See A.R.S. §§42-5075 and 42-5001.
2. A property tax exemption on solar energy devices used for the production of solar energy for on-site consumption. These devices are considered to add no value to real property and, therefore, do not raise property taxes. See A.R.S. §§42-11054 and 44-1761.
3. A solar energy device installed at a residential location may be eligible for a tax credit equal to 25% of the total installed cost of the device not to exceed \$1000 under A.R.S. §43-1083. This credit is administered solely by Revenue.

