

COMMERCIAL/INDUSTRIAL SOLAR ENERGY TAX CREDIT (ESTABLISHED UNDER A.R.S. § 41-1510.01)

SUMMARY¹

The Commercial/Industrial Solar Energy Tax Credit Program (*Solar Program*) was established by the Arizona legislature in 2006, is effective through December 31, 2018, and is governed by A.R.S. §§ 41-1510.01, 43-1085 and 43-1164. The goal of the Solar Program is to stimulate the use of Qualified Solar Energy Devices (*QSEs*) in commercial, industrial and other non-residential applications. The Solar Program achieves this goal by providing Arizona income tax credits to offset the installation costs of QSEs at Arizona business facilities. The Solar Program is administered by the Arizona Commerce Authority (*ACA*).

A business is eligible for Solar Program tax credits if it purchases a QSE and causes the device to be installed at a facility at which the business operates. Tax credits generally equal 10% of the installed cost of the QSE up to a maximum of \$25,000 in credits for one facility in a single tax year and up to a maximum of \$50,000 in total credits for one business in a single tax year. Tax credits can be used to offset Arizona income tax liability; any unused credit amounts in a tax year can be carried forward for up to five taxable years.

The ACA can certify tax credits under the Solar Program up to \$1 million in any calendar year. Tax credits are allocated on a first come, first served basis, based on the date of receipt of a substantially complete preapproval application.

A business seeking tax credits under the Solar Program must apply to the ACA by submitting a Request for Preapproval application. If review of the pre-approval application is favorable, the ACA will issue the business a letter of "Initial Certification." Simultaneously, the ACA will request a non-refundable processing fee equal to 1 percent of the amount of tax credits reserved.

After the QSE is installed and operational,² a business must apply to the ACA for post-approval by submitting a Request for Post-approval application. If review of the post-approval application is favorable, the ACA will issue the business a Credit Certificate and transmit the certification information to the Arizona Department of Revenue (*Revenue*).

After a business has received a Credit Certificate from the ACA, it may claim the credits with Revenue. The tax credits must be claimed by the applicant-business on an Arizona income tax return that includes Revenue Form 336 for the tax year in which the QSE installation occurred. Alternatively, the applicant-business may transfer the tax credits to a Qualified Third Party Transferee.

Other Arizona incentives are available for solar energy devices, including transaction privilege tax (*TPT*) exemptions and property tax adjustments administered by Revenue. For more information and to download Revenue's forms, visit www.azdor.gov.

DEFINITION

The **definition of a solar energy device** for the Solar 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."

¹This Program Summary is issued under the authority of A.R.S. §§ 41-1005(A)(28) and 41-1510.01(G) to govern administration of the Solar Program and applies in respect to applications for pre-approval submitted on or after January 1, 2014. In the case of any conflict between this Summary and governing statutes, the governing statutes will prevail.

²A Qualified Solar Energy Device is considered "operational" when the device is ready for use.

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