



**JOULE**

CPA Packet - Corporate

3/19/10



## Louisiana

### Incentives/Policies for Renewables & Efficiency

#### Tax Credit for Solar and Wind Energy Systems on Residential Property (Corporate)

Last DSIRE Review: 07/22/2009

##### Program Overview:

<b>State:</b>	Louisiana
<b>Incentive Type:</b>	Corporate Tax Credit
<b>Eligible Renewable/Other Technologies:</b>	Solar Water Heat, Solar Space Heat, Photovoltaics, Wind, Solar Pool Heating
<b>Applicable Sectors:</b>	Commercial, Residential, Multi-Family Residential
<b>Amount:</b>	50% of the first \$25,000 of the cost of each system
<b>Maximum Incentive:</b>	\$12,500 per installed system
<b>Carryover Provisions:</b>	Excess credit is refundable
<b>Equipment Requirements:</b>	Electrical equipment must be UL-listed. Solar thermal equipment must be SRCC-certified.
<b>Authority 1:</b>	La. R.S. 47:6030
<b>Date Enacted:</b>	7/10/2007
<b>Date Effective:</b>	1/1/2008
<b>Authority 2:</b>	LAC 61:I.1907
<b>Date Effective:</b>	1/1/2008

##### Summary:

Louisiana provides a tax credit for the purchase and installation of solar and wind energy systems purchased and installed on or after January 1, 2008. The credit may be applied to personal, corporate or franchise taxes, depending on the entity which purchases and installs the system, but the system must be installed at either a residence or a residential rental apartment complex to be eligible. HB 858, enacted in July 2009, extended the tax credit to taxpayers that purchase and install systems rather than only the owners of the residential property. This legislation also clarifies that only one credit can be taken per system, so if the property is sold, the taxpayer who originally claimed the credit must disclose this, as the new owner will not be eligible for another tax credit on the same system.

The tax credit may be applied both to solar-electric systems (photovoltaic systems) and solar-thermal systems, when the energy is used for space heating, space cooling or water heating. The amount of the credit is equal to 50% of the first \$25,000 of the cost of each system, including installation costs (unless the taxpayer is installing the system). The credit must be fully claimed in the taxable year in which the system is installed and placed in service, or the year in which the residential property is sold if the system is installed on a new home or apartment building. Any excess credit which exceeds the taxpayer's liabilities for that year shall be treated as an overpayment, and the Louisiana Department of Revenue will issue a refund for the remaining amount within one year of receiving the claim.

For photovoltaic (PV) systems, the tax credit applies to AC or DC generation systems which are grid-connected, net-metered systems (with or without battery backup) or stand-alone systems. Eligible wind

energy systems include AC or DC electric generation and mechanical wind systems. Solar thermal systems must be used for the primary purpose of heating water (including pool heating), space heating or space cooling.

Electrical equipment must be UL-listed and installed in compliance with all applicable building and electrical codes. Solar thermal equipment must be SRCC-certified and installed in compliance with all applicable building and plumbing codes. Installations must be performed by a licensed contractor, the owner of the residence, or by a person who has received certification by a technical college in the installation of such systems. In order to claim a tax credit for a wind or solar energy system all components must be installed at the same time as the system.

This tax credit may be combined with any federal tax incentive, but it may not be combined with any other state tax incentive. Whenever additional incentives such as cash rebates, prizes or gift certificates are offered in addition to the tax credit, the eligible cost must be reduced by the value of the incentive received.

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**Contact:**

Public Information - LA DOR  
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**Phone:** (225) 219-0067 Ext.4  
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## NOTICE OF INTENT

### Department of Revenue Policy Services Division

#### Income Tax Credits for Wind or Solar Energy Systems (LAC: 61:I.1907)

Under the authority of R.S. 47:287.785, R.S. 47:295, R.S. 47:1511, and R.S. 47:6030, and in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., the Department of Revenue, Policy Services Division, proposes to adopt LAC 61:I.1907 relative to income tax credits for wind or solar energy systems.

Act 371 of the 2007 Regular Session of the *Louisiana Legislature* enacted R.S. 47:6026 to allow an income tax credit for the purchase and installation of a wind or solar energy system by a Louisiana homeowner or the owner of a residential rental apartment project located in the state. The section was redesignated as R.S. 47:6030 pursuant to the statutory revision authority of the Louisiana State Law Institute. This proposed Rule will clarify the application of the credits for those taxpayers who purchase and install wind or solar energy systems.

This Notice of Intent was originally published in the December 2007 and March 2008 editions of the Louisiana Register. Based upon comments received at an April 2008 Public Hearing, changes were made giving rise to this revised Notice of Intent. These changes primarily involve an exception to the general rule allowing the credit only for complete systems and can be found at LAC 61:I.1907(D)(1)(a).

#### Title 61

#### REVENUE AND TAXATION

#### Part I. Taxes Collected and Administered by the Secretary of Revenue

#### Chapter 19. Miscellaneous Tax Exemptions

#### §1907. Income Tax Credits for Wind or Solar Energy Systems

A. Revised Statute 47:6030 provides an income tax credit for the purchase and installation of a wind or solar energy system by a Louisiana homeowner or the owner of a residential rental apartment project located in the state. In order for costs associated with the purchase and installation of a wind or solar energy system to qualify for this credit, the expenditure must be made on or after January 1, 2008. The amount of the credit is equal to 50 percent of the first \$25,000 of the cost of each wind or solar energy system.

#### B. Definitions

*Charge Controller*—an apparatus designed to control the state of charge of a bank of batteries.

*Grid-Connected, Net Metering System*—a wind or solar electric system interconnected with the utility grid in which the customer only pays the utility for the net energy used from the utility minus the energy fed into the grid by the customer. All interconnections must be in accordance with the capacity, safety and performance interconnection standards adopted as part of the Louisiana Public Service Commission's, the New Orleans City Council's, or other Louisiana utility regulatory entities, as appropriate, established Net Metering rules and procedures.

*Inverter*—an apparatus designed to convert direct current (DC) electrical current to alternating current (AC) electrical energy. Modern inverters also perform a variety of safety and power conditioning functions that allow them to safely interconnect with the electrical grid.

*Photovoltaic Panel*—a panel consisting of a collection of solar cells capable of producing direct current (DC) electrical energy when exposed to sunlight.

*Residence*—a single family dwelling, one dwelling unit of a multi-family, owner occupied complex, or one residential dwelling unit of a rental apartment complex. All eligible residences must be located in Louisiana.

*Solar Electric System*—a system consisting of photovoltaic panels with the primary purpose of converting sunlight to electrical energy and all equipment and apparatus necessary to connect, store and process the electrical energy for connection to and use by an electrical load.

*Solar Thermal System*—a system consisting of a solar energy collector with the primary purpose of converting sunlight to thermal energy and all devices and apparatus necessary to transfer and store the collected thermal energy for the purposes of heating water, space heating, or space cooling.

*Supplemental Heating Equipment*—a device or apparatus installed in a solar thermal system that utilizes energy sources other than wind or sunlight to add heat to the system, with the exception of factory

installed auxiliary heat strips that are an integral component of a specifically engineered solar hot water storage tank.

*Wind Energy System*—a system of apparatus and equipment with the primary purpose of intercepting and converting wind energy into mechanical or electrical energy and transferring this form of energy by a separate apparatus to the point of use or storage.

C. Household Eligibility for Wind and/or Solar Energy Systems Tax Credits

1. Each residence or apartment project in the state is eligible for tax credits for the number of separate complete wind, solar electric, and solar thermal energy systems necessary to ensure that the residence or apartment project is supplied with all of its energy needs.

2. The credit for the purchase and installation of a wind energy system or solar energy system by a resident individual at his residence shall be claimed by the resident individual on his Louisiana individual income tax return.

3. The credit for the purchase and installation of a wind energy system or solar energy system by the owner of a residential rental apartment project shall be claimed by the owner on his Louisiana individual, corporate or fiduciary income tax return.

4. All wind or solar energy systems must be installed in the immediate vicinity of the residence or apartment project claiming the credit such that the electrical, mechanical or thermal energy is delivered directly to the residence or apartment project.

5. In order to claim a tax credit(s) for a wind energy system, solar electric energy system, or solar thermal energy system the components for each system must be purchased and installed at the same time as a system. Eligible components of systems are defined in Paragraphs D.2 through D.4 below.

D. Wind and Solar Energy Systems Eligible for the Tax Credit

1. The credit provided by R.S. 47:6030 is only allowed for complete and functioning wind energy systems or solar energy systems. Local and state taxes are an eligible system cost.

a. Exception to General Rule Allowing Credit Only for Complete Systems

i. In order to be eligible to receive the credit, the owner of a single unit in a multi-family residence project must have an undivided interest in the wind or solar energy system that is being installed.

ii. If a component of a wind or solar energy system is shared, documentation must be supplied dividing up the costs of the component between all those eligible for the credit.

iii. Subsequent purchasers of units in the multi-family residence not in possession of an undivided interest at the time of installation, will not be eligible for the credit.

2. Wind Energy Systems. Eligible wind energy systems under the tax credit include systems designed to produce electrical energy and systems designed to produce mechanical energy through blades, sails, or turbines and may include the following.

System Type	Eligible System Components
DC Wind Electric Generation Systems	DC output wind turbine, controllers, towers and supports, charge controllers, inverters, batteries, battery boxes, DC and AC disconnects, junction boxes, monitors, display meters, lightning and ground fault protection, and wiring and related electrical devices and supplies from generator to residence or electrical load
AC Wind Electric Generation Systems	AC output wind turbine, controllers, towers and supports, charge controllers, power conditioners/grid interconnection devices, batteries, battery boxes, AC disconnects, junction boxes, monitors, display meters, lightning and ground fault protection, and wiring and related electrical devices and supplies from generator to residence or electrical load
Mechanical Wind Systems	Mechanical output wind turbine, towers & supports, mechanical interconnection between turbine and mechanical load

3. Solar Electric Systems. Eligible solar electric systems under the tax credit include grid-connected net metering systems, grid-connected net metering systems with battery backup, stand alone alternating

current (AC) systems and stand alone direct current (DC) systems, designed to produce electrical energy and may include the following.

<b>System Type</b>	<b>Eligible System Components</b>
Grid-Connected, Net Metering Solar Electric Systems	Photovoltaic panels, mounting systems, inverters, AC & DC disconnects, lightning and ground fault protection, junction boxes, remote metering display devices and related electrical wiring materials from the photovoltaic panels to point of interconnection with the residence or electrical load
Grid-Connected, Net Metering Solar Electric Systems with Battery Backup	Photovoltaic panels, mounting systems, inverters, charge controllers, batteries, battery cases, AC & DC disconnects, lightning and ground fault protection, junction boxes, remote metering display devices and related electrical wiring materials from the photovoltaic panels to point of interconnection with the residence or electrical load
Stand Alone Solar Electric AC Systems	Photovoltaic panels, mounting systems, inverters, charge controllers, batteries, battery cases, AC & DC disconnects, lightning and ground fault protection, junction boxes, remote metering display devices and related electrical wiring materials from the photovoltaic panels to point of interconnection with the residence or electrical load
Stand Alone Solar Electric DC Systems	Photovoltaic panels, mounting systems, charge controllers, batteries, battery cases, DC disconnects, lightning and ground fault protection, junction boxes, remote metering display devices and related electrical wiring materials from the photovoltaic panels to point of interconnection with the residence or electrical load

4. Solar Thermal Systems. Solar thermal systems eligible under the tax credit include systems designed to produce domestic hot water, systems designed to produce thermal energy for use in heating and cooling systems and solar pool heating systems and may include the following.

<b>System Type</b>	<b>Eligible System Components</b>
Domestic Solar Hot Water Systems	Solar thermal collectors, mounting systems, solar hot water storage tanks, pumps, heat exchangers, drain back tanks, expansion tanks, controllers, sensors, valves, freeze protection devices, air elimination devices, photovoltaic panels for PV systems, piping and other related materials from the solar thermal collectors to the solar hot water storage tanks
Heating and Cooling Thermal Energy Systems	Solar thermal collectors, mounting systems, solar hot water storage tanks, pumps, heat exchangers, drain back tanks, expansion tanks, controllers, sensors, valves, freeze protection devices, air elimination devices, photovoltaic panels for PV systems, piping and other related materials from the solar thermal collectors to the solar hot water storage tanks
Solar Pool Heating System	Solar pool heating collectors, mounting systems and devices, controllers, actuators, valves, pool covers, air elimination devices, sensors, piping and other related materials from solar pool heating collectors to interconnection with pool filtration system

5. All wind and solar energy systems for which a tax credit is claimed shall include an operations and maintenance manual containing a working diagram of the system, explanations of the operations and functions of the component parts of the system and general maintenance procedures.

6. All photovoltaic panels, wind turbines, inverters and other electrical apparatus claiming the tax credit must be UL listed and installed in compliance with manufacturer specifications and all applicable building and electrical codes.

7. All solar thermal apparatus claiming the tax credit must be certified by the Solar Rating and Certification Corporation (SRCC) and installed in compliance with manufacturer specifications and all applicable building and plumbing codes.

8. Applicants applying for the tax credit on any system(s) must provide proof of purchase to the Louisiana Department of Revenue detailing the following as applicable to your particular solar or wind energy system installation:

- a. type of system applying for the tax credit;
- b. output capacity of the system:
  - i. Solar Electric Systems—total nameplate listed kW of all installed panels;
  - ii. Solar Thermal Systems—listed SRCC annual BTU or equivalent kWh output;
  - iii. Wind Electric Systems—total rated kW of all alternators and generators;
  - iv. Wind Mechanical Systems—shaft horsepower as rated by manufacturer, licensed contractor or licensed professional engineer;
- c. physical address where the system is installed in the state;
- d. total cost of the system as applied towards the tax credit separated by:
  - i. equipment costs;
  - ii. installation costs;
  - iii. taxes;

- e. make, model, and serial number of generators, alternators, turbines, photovoltaic panels, inverters, and solar thermal collectors applied for in the tax credit;
- f. name and Louisiana contractor's license number of installer;
- g. copy of the modeled array output report using the PV Watts Solar System Performance Calculator developed by the National Renewable Energy Laboratory and available at the website [www.nrel.gov/rredc/pvwatts](http://www.nrel.gov/rredc/pvwatts) . The analysis must be performed using the default PV Watts de-rate factor;
- h. copy of a solar site shading analysis conducted on the installation site using a recognized industry site assessment tool such as a Solar Pathfinder or Solmetric demonstrating the suitability of the site for installation of a solar energy system.

E. Tax Exemption Eligibility of Certain Costs

1. Eligible costs—eligible costs that can be included under the tax credit are reasonable and prudent costs for equipment and installation of the wind and solar energy systems defined in Subsection B and described in Subsection D above. Equipment costs must be in accordance with Subsection D above.

a. All installations must be performed by a contractor duly licensed by and in good standing with the Louisiana Contractors Licensing Board with a classification of Solar Energy Equipment and a certificate of training in the design and installation of solar energy systems from an industry recognized training entity, or a Louisiana technical college, or the owner of the residence.

2. Ineligible Costs—labor costs for individuals performing their own installations are not eligible for inclusion under the tax credit. Supplemental heating equipment costs used with solar collectors are not eligible for inclusion under the tax credit.

3. Whenever, in return for the purchase price or as an inducement to make a purchase, marketing rebates or incentives are offered, the eligible cost shall be reduced by the fair market value of the marketing rebate or incentive received. Such marketing rebates or incentives include, but are not limited to, cash rebates, prizes, gift certificates, trips or any other thing of value given by the installer to the customer as an inducement to purchase an eligible wind or solar energy system.

4. Solar or wind energy systems or components for which tax credits are received are not eligible for a second tax credit if resold.

5. Any solar or wind energy system for which a tax credit is received must remain on the structure to which it was originally attached or on another structure located within Louisiana owned or occupied by the individual receiving the credit for a minimum of five years from the date of installation.

AUTHORITY NOTE: Promulgated in accordance with R.S. 47:6030 and R.S. 47:1511.

HISTORICAL NOTE: Promulgated by the Department of Revenue, LR 34:



Private Letter Ruling  
Redacted Version  
No. 09-018

Individual Income Tax and Corporation Income Tax  
Qualification for the Solar Energy Systems Tax Credit  
October 6, 2009

This is in reply to your request for a private letter ruling concerning whether the cost to purchase and install five separate photovoltaic solar energy systems and a solar thermal hot water system qualifies for the solar energy systems tax credit; and whether the amount of the solar energy systems tax credit will equal fifty percent of the total cost to purchase and install the systems.

**Factual Scenario**

You provided these facts:

On October 5, 2008, Taxpayers and A Corporation signed a contract whereby A Corporation agreed to provide and install three (3) separate 2.025 kW PV solar panel energy systems at a contract price of approximately \$52,000 in order to supply the energy needs of Taxpayers' residence.

On November 15, 2008, Taxpayers and A Corporation signed a contract whereby A Corporation agreed to provide and install two (2) separate 1.72 kW PV solar panel energy systems to supply the energy needs of Taxpayers' residence.

On November 15, 2008, Taxpayers and A Corporation signed a contract whereby A Corporation agreed to provide and install one (1) eighty gallon two collector solar thermal system to supply the hot water needs of Taxpayers' residence.

The contract price to provide and install two (2) separate 1.72 kW PV solar panel energy systems and one (1) eighty gallon two collector solar thermal system was approximately \$34,000 as described in the contract between Taxpayers and A Corporation signed on November 15, 2008.

The five (5) solar panel energy systems will share and be operated through one (1) SMA 5000 series inverter and one (1) SMA 3000 series inverter. The solar panel energy systems will not otherwise be interconnected or share any components other than an inverter.

The cost to purchase and install each solar panel energy system will be less than \$25,000.

The cost to purchase and install the solar thermal system will be less than \$25,000.

The total cost to purchase and install the solar panel energy systems and the solar thermal system will exceed \$25,000.

A Corporation is a contractor duly licensed by and in good standing with the Louisiana Contractors Licensing Board with a classification of Solar Energy Equipment.

The solar panel energy systems will be UL listed and installed in compliance with manufacturer specifications and all applicable building and electrical codes.

The solar panel energy systems and the solar thermal system will be installed by A Corporation and placed in service at Taxpayers' residence in 2009.

The solar panel energy systems will be grid connected net metering systems.

The solar thermal system will be certified by the Solar Rating and Certification Corporation and installed in compliance with manufacturer specifications and all applicable building and plumbing codes.

The solar panel energy systems and the solar thermal system will supply Taxpayers' residence with less than all of its energy needs.

Taxpayers intend to apply for any federal tax credits available to them on account of the purchase and installation of the solar panel energy systems and the solar thermal system.

Taxpayers are married individuals and will file joint tax returns for 2009.

### **Ruling Request**

You have asked for a ruling as follows:

As residents of Louisiana, whose primary residence is located in Louisiana, Taxpayers 1) are eligible to earn income tax credits for solar energy systems under R.S. 47:6030; 2) will be entitled to a tax credit equal to fifty percent of the total cost to purchase and install the solar panel energy systems and solar thermal system; and 3) will receive a refund of any credit which exceeds their Louisiana income tax liability for the year the solar panel energy systems and solar thermal system are placed in service.

Taxpayers' eligibility, application for, and receipt of federal income tax credits for the purchase and installation of the solar panel energy systems and solar thermal system pursuant to 26 U.S.C. 25D 1) will not preclude them from receiving the solar energy systems tax credit; and 2) the solar energy systems tax credit will be equal to fifty percent of the entire purchase and installation cost of the solar panel energy systems and solar thermal system without reduction or offset due to their application for the federal tax credit.

### **Discussion**

Louisiana Revised Statute 47:6030(A) provides that "There shall be a credit against the income tax for the cost of purchase and installation of a wind energy system or solar energy system, or both, by a resident individual at his residence located in this state or by the owner of a residential rental apartment project." In addition, LAC 61:I.1907(B) defines residence to be "a single family dwelling, one dwelling unit of a multi-family owner occupied complex (such as a condominium) or one residential dwelling unit of a rental apartment complex. All eligible residences must be located in Louisiana." Taxpayers state that they are residents of Louisiana and that their primary residence, for which the solar panel energy systems and solar thermal system are being purchased and installed, is located in Louisiana.

Louisiana Revised Statute 47:6030(B)(1) provides that "The credit shall be equal to fifty percent of the first twenty five thousand dollars of the cost of each wind energy system or solar energy system, including installation costs, that is purchased and installed on or after January 1, 2008."

In addition, LAC 61:I.1907(A) provides that “The amount of the credit is equal to 50 percent of the first \$25,000 of the cost of each wind or solar energy system.” Taxpayers state in their rendition of the facts that the cost to purchase and install each solar panel energy system and solar thermal system will be less than \$25,000. However, an analysis of the facts shows that the use of shared inverters creates a question as to the number of complete solar electric systems.

According to LAC 61:I.1907(B), a solar electric system is “a system consisting of photovoltaic panels with the primary purpose of converting sunlight to electrical energy and all equipment and apparatus necessary to connect, store and process the electrical energy for connection to and use by an electrical load.” In other words, a system has all of the discrete elements of a system. The use of a shared inverter in “two” systems causes one of the two to not have all the discrete elements of a system with the result that one of the systems would not be eligible for the credit. In considering this aspect examples are helpful.

Example 1: Taxpayer installs four (4) separate 2.378 kW PV solar energy systems with four (4) SMA 3000 inverters for a total cost of approximately \$92,000 or a per system cost of \$23,000. Each separate solar energy system would be eligible for a credit equal to fifty percent of the cost of the system or \$11,500 for a total credit of \$46,000.

Example 2: Taxpayer installs three (3) separate 2.025 kW PV solar energy systems with a shared SMA 5000 inverter and two (2) separate 1.72 kW PV solar energy systems with a shared SMA 3000 inverter for a total cost of approximately \$86,000 or a per system cost of \$17,200. If allowed to share components, each separate solar energy system would be eligible for a credit equal to fifty percent of the cost of the system or \$8,600 for a total credit of \$43,000.

The purpose of the limitation on the cost of each wind energy system or solar energy system found in La. R.S. 47:6030(B)(1) was to reduce overall programmatic costs. The examples illustrate how this purpose would not be achieved absent the creation of a “safe harbor” allowing shared inverters in the course of the simultaneous installation of two or more systems. Currently, there is one exception to the general rule allowing the credit only for complete systems. A “safe harbor” provision would act as another exception to the general rule. By allowing a “safe harbor”, the Department of Revenue would satisfy the purpose of the legislation by decreasing the cost of the program to the state, decreasing the cost to the taxpayer, and increase the efficiency of the installed systems. The “safe harbor” provision would allow the use of shared inverters when two or more systems are being installed at the same time. In the examples above, the savings to the state would equal the difference between \$46,000 and \$43,000 or \$3,000. However, any equipment added at a later date could not use existing system components and would have to have every element of a complete system in order to qualify for the credit. The Department intends to formally create a “safe harbor” allowing the use of shared inverters when two or more systems are installed at the same time in upcoming amendments to the Rule LAC 61:I.1907, but will give effect to the “safe harbor” treatment immediately. Under the “safe harbor” this ruling is based upon the existence of five solar panel energy systems.

According to LAC 61:I.1907(C)(1), “Each residence or apartment project in the state is eligible for tax credits for the number of separate complete wind, solar electric, and solar thermal energy systems necessary to ensure that the residence or apartment project is supplied with all of its energy needs.”

Louisiana Revised Statute 47:6030(C) provides that “Notwithstanding any other provision of law to the contrary, any excess of allowable credit over the aggregate tax liabilities against which such credit may be applied, as provided in this Section, shall constitute an overpayment, as defined in R.S. 47:1621(A), and the secretary shall make a refund of such overpayment from the current collections of the taxes imposed by Chapter 1 or Chapter 5 of Subtitle II of this Title, together with interest as provided in R.S. 47:1624.”

Louisiana Revised Statute 47:6030(B)(1) provides that “The credit may be used in addition to any federal tax credits earned for the same system.”

### **Ruling**

Based on the facts provided, Taxpayers 1) are eligible to earn income tax credits for solar energy systems under R.S. 47:6030; 2) are entitled to a tax credit equal to fifty percent of the first \$25,000 of the cost to purchase and install each of the five separate solar panel energy systems and the solar thermal system; 3) will receive a refund, if the solar energy systems credits exceed their Louisiana income tax liability for the year the solar panel energy systems and solar thermal system are placed in service; and 4) are not precluded from receiving the solar energy systems tax credit even if they receive a federal income tax credit for the purchase and installation of solar panel energy systems and solar thermal system pursuant to 26 U.S.C. 25D.

If you have any questions or need additional information, please call Leonore Heavey, Revenue Tax Assistant Director, or William E. Little, Attorney, Policy Services Division, at 219-2780.

Sincerely,

Cynthia Bridges  
Secretary

By:

William E. Little  
Attorney  
Policy Services

This correspondence constitutes a private letter ruling (PLR) by the Louisiana Department of Revenue, as provided for by section 61:III.101 of the Louisiana Administrative Code. A PLR provides guidance to a specific taxpayer at the taxpayer's request. It is a written statement that applies principles of law to a specific set of facts or a particular tax situation. A PLR does not have the force and effect of law, and is not binding on the person who requested it or on any other taxpayer. This PLR is binding on the department only as to the taxpayer to whom it is addressed, and only if the facts presented were truthful and complete and the transaction was carried out as proposed. It continues as authority for the department's position unless a subsequent declaratory ruling, rule, court case, or statute supersedes it.


**Business Wind or Solar Energy  
Income Tax Credit**
**FILING PERIOD  
2009**
**PLEASE PRINT OR TYPE.**

Name of Taxpayer claiming credit		Louisiana Revenue Account No.	
Location where system installed	City	State	ZIP
<input type="checkbox"/> New System and installation <input type="checkbox"/> Addition to existing system	<input type="checkbox"/> Solar Electric System <input type="checkbox"/> Wind Electric System	<input type="checkbox"/> Solar Thermal System <input type="checkbox"/> Wind Mechanical System	
Date the energy system was purchased and installed _____ (mm/dd/yyyy) in a:			
<input type="checkbox"/> Residential Rental Apartment Project Located in Louisiana			
Contractor's Name		Contractor's Louisiana License Number	

**Available Credit for Residential Rental Apartment Project**

1	Complete a worksheet, found on page 2, for each wind or solar energy system and attach the worksheets to this page. Add the amounts from line 6 of each worksheet and print the total.	1	
2	The amount of qualifying tax credit earned from partnerships, trusts or small business corporations (Number of units _____) Name of Entity: _____ Louisiana Revenue Acct No: _____	2	
3	Total Credit available to a Louisiana Residential Rental Apartment Project ( <i>Add Lines 1 and 2.</i> )	3	

**LSA-R.S. 47:6030 provides a credit against income tax for the purchase and installation of a wind energy system or solar energy system, or both, for an individual at his residence located in this state, for the owner of a Louisiana residential rental apartment project, or for a taxpayer who purchases and installs a system in a residence or residential rental apartment project located in Louisiana. The credit may also be claimed in cases where the resident individual purchases a newly constructed home located in Louisiana that has such systems already installed, or a taxpayer who purchases a newly constructed residential rental apartment project that has such systems already installed.**

**If you received this credit through an interest in a partnership, trusts, or small business corporations, please retain copies of the Schedule K-1 or other document that support the amount of your qualifying tax credit that appears on line 2 above.**

**Declaration**

I declare that to the best of my knowledge of all available information, this refund claim is true and complete and complies with all statutes, rules and regulations, and any other policy pronouncements related to the wind and/or solar energy income tax credit.

 Signature of Officer, Owner or Other (*for other, attach power of attorney*)

Date (mm/dd/yyyy)

X


**Business Wind or Solar Energy  
Income Tax Credit Worksheet**
**FILING PERIOD  
2009**
**PLEASE PRINT OR TYPE.**

Name of taxpayer claiming credit	Louisiana Revenue Account No.		
Location where system installed	City	State	ZIP

**Available Credit for Residential Rental Apartment Project**

1	Cost of new system equipment	1	
2	Cost of new system Installation	2	
3	Taxes associated with new system	3	
4	Total (Add Lines 1 through 3.)	4	
5	Multiply Line 4 by 50% (.50)	5	
6	Enter the smaller of Line 5 or \$12,500	6	

Complete a separate worksheet for each wind or solar energy system for which you are requesting a credit. Attach each worksheet to page 1.

LSA-R.S. 47:6030 provides a credit against income tax for the purchase and installation of a wind energy system or solar energy system, or both, for an individual at his residence is located in this state, for the owner of a Louisiana residential rental apartment project, or for a taxpayer who purchases and installs a system in a residence or residential rental apartment project located in Louisiana. The credit may also be claimed in cases where the resident individual purchases a newly constructed home that has such systems already installed, or a taxpayer purchases a newly constructed residential rental apartment project that has such systems already installed. Please retain copies of this form and the purchase invoice(s) or other documents that support the amounts entered on lines 1, 2, and 3 for review by the Department of Revenue upon request for verification of solar and/or wind energy system costs related to this credit.



3/19/10



## Federal

### Incentives/Policies for Renewables & Efficiency

#### Business Energy Investment Tax Credit (ITC)

Last DSIRE Review: 06/10/2009

#### Program Overview:

<b>State:</b>	Federal
<b>Incentive Type:</b>	Corporate Tax Credit
<b>Eligible Renewable/Other Technologies:</b>	Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Wind, Biomass, Geothermal Electric, Fuel Cells, Geothermal Heat Pumps, CHP/Cogeneration, Solar Hybrid Lighting, Microturbines
<b>Applicable Sectors:</b>	Commercial, Industrial, Utility
<b>Amount:</b>	30% for solar, fuel cells and small wind;** 10%** for geothermal, microturbines and CHP Fuel cells: \$1,500 per 0.5 kW Microturbines: \$200 per kW
<b>Maximum Incentive:</b>	Small wind turbines placed in service 10/4/08 - 12/31/08: \$4,000 Small wind turbines placed in service after 12/31/08: no limit All other eligible technologies: no limit Small wind turbines: 100 kW or less**
<b>Eligible System Size:</b>	Fuel cells: 0.5 kW or greater Microturbines: 2 MW or less CHP: 50 MW or less**
<b>Equipment Requirements:</b>	Fuel cells, microturbines and CHP systems must meet specific energy-efficiency criteria
<b>Authority 1:</b>	26 USC § 48
<b>Authority 2:</b>	Instructions for IRS Form 3468
<b>Authority 3:</b>	IRS Form 3468

#### Summary:

**Note: The American Recovery and Reinvestment Act of 2009 (H.R. 1) allows taxpayers eligible for the federal renewable electricity production tax credit (PTC)\*\* to take the federal business energy investment tax credit (ITC) or to receive a grant from the U.S. Treasury Department instead of taking the PTC for new installations. The new law also allows taxpayers eligible for the business ITC to receive a grant from the U.S. Treasury Department instead of taking the business ITC for new installations. The Treasury Department issued Notice 2009-52 in June 2009, giving limited guidance on how to take the federal business energy investment tax credit instead of the federal renewable electricity production tax credit. The Treasury Department will issue more extensive guidance at a later time.**

The federal business energy investment tax credit available under 26 USC § 48 was expanded significantly

by the *Energy Improvement and Extension Act of 2008* (H.R. 1424), enacted in October 2008. This law extended the duration -- by eight years -- of the existing credits for solar energy, fuel cells and microturbines; increased the credit amount for fuel cells; established new credits for small wind-energy systems, geothermal heat pumps, and combined heat and power (CHP) systems; extended eligibility for the credits to utilities; and allowed taxpayers to take the credit against the alternative minimum tax (AMT), subject to certain limitations. The credit was further expanded by *The American Recovery and Reinvestment Act of 2009*, enacted in February 2009.

In general, credits are available for eligible systems placed in service on or before December 31, 2016.\*

- **Solar.** The credit is equal to 30% of expenditures, with no maximum credit. Eligible solar energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. Hybrid solar lighting systems, which use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight, are eligible. Passive solar systems and solar pool-heating systems are *not* eligible. (Note that the Solar Energy Industries Association has published a three-page document that provides answers to frequently asked questions regarding the federal tax credits for solar energy.)
- **Fuel Cells.** The credit is equal to 30% of expenditures, with no maximum credit. However, the credit for fuel cells is capped at \$1,500 per 0.5 kilowatt (kW) of capacity. Eligible property includes fuel cells with a minimum capacity of 0.5 kW that have an electricity-only generation efficiency of 30% or higher. (Note that the credit for property placed in service before October 4, 2008, is capped at \$500 per 0.5 kW.)
- **Small Wind Turbines.\*\*** The credit is equal to 30% of expenditures, with no maximum credit for small wind turbines placed in service after December 31, 2008. Eligible small wind property includes wind turbines up to 100 kW in capacity. (In general, the maximum credit is \$4,000 for eligible property placed in service after October 3, 2008, and before January 1, 2009. *The American Recovery and Reinvestment Act of 2009* removed the \$4,000 maximum credit limit for small wind turbines.)
- **Geothermal Systems.\*\*** The credit is equal to 10% of expenditures, with no maximum credit limit stated. Eligible geothermal energy property includes geothermal heat pumps and equipment used to produce, distribute or use energy derived from a geothermal deposit. For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electric transmission stage. For geothermal heat pumps, this credit applies to eligible property placed in service after October 3, 2008.
- **Microturbines.** The credit is equal to 10% of expenditures, with no maximum credit limit stated (explicitly). The credit for microturbines is capped at \$200 per kW of capacity. Eligible property includes microturbines up to two megawatts (MW) in capacity that have an electricity-only generation efficiency of 26% or higher.
- **Combined Heat and Power (CHP).\*\*** The credit is equal to 10% of expenditures, with no maximum limit stated. Eligible CHP property generally includes systems up to 50 MW in capacity that exceed 60% energy efficiency, subject to certain limitations and reductions for large systems. The efficiency requirement does not apply to CHP systems that use biomass for at least 90% of the system's energy source, but the credit may be reduced for less-efficient systems. This credit applies to eligible property placed in service after October 3, 2008.

In general, the original use of the equipment must begin with the taxpayer, or the system must be constructed by the taxpayer. The equipment must also meet any performance and quality standards in effect at the time the equipment is acquired. The energy property must be operational in the year in which the credit is first taken.

Significantly, *The American Recovery and Reinvestment Act of 2009* repealed a previous limitation on the use of the credit for eligible projects also supported by "subsidized energy financing." For projects placed in service after December 31, 2008, this limitation no longer applies. Businesses that receive other incentives are advised to consult with a tax professional regarding how to calculate this federal tax credit.

### **History**

The federal *Energy Policy Act of 2005* (EPAct 2005) expanded the existing federal business energy tax

credit for solar and geothermal energy property to include fuel cells, microturbines and hybrid solar lighting systems installed on or after January 1, 2006, and raised the credit for solar to 30%. Prior to the provisions of EAct 2005, a 10% credit was available to businesses that invested in or purchased solar or geothermal energy property.

*\* Note that the credit for geothermal property, with the exception of geothermal heat pumps, has no stated expiration date. The credit for solar energy property reverts to 10% after December 31, 2016.*

*\*\* The February 2009 legislation (H.R. 1) that allows PTC-eligible facilities to use the 30% ITC has implications for some technologies that were already potentially eligible for either incentive in some form. Certain geothermal and open- or closed- loop biomass systems (including biomass CHP projects) now qualify for a 30% tax credit through December 31, 2013, the in-service deadline for these technologies under the PTC. Wind-energy systems of all sizes -- not only systems of 100 kW or less -- also now qualify for the 30% ITC through the wind-energy PTC in-service deadline of December 31, 2012. Applicants should refer to the eligibility definition contained in the PTC to determine if and how their project might qualify for this treatment.*

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**Contact:**

Public Information - IRS  
U.S. Internal Revenue Service  
1111 Constitution Avenue, N.W.  
Washington, DC 20224  
**Phone:** (800) 829-1040  
**Web Site:** <http://www.irs.gov>

**UNITED STATES CODE**  
**TITLE 26. INTERNAL REVENUE CODE**  
**SUBTITLE A. INCOME TAXES**  
**CHAPTER 1. NORMAL TAXES AND SURTAXES**  
**SUBCHAPTER A. DETERMINATION OF TAX LIABILITY**  
**PART IV. CREDITS AGAINST TAX**  
**SUBPART E. RULES FOR COMPUTING INVESTMENT CREDIT**

**26 USC § 48**

§ 48. Energy credit.

(a) Energy credit.

(1) In general. For purposes of section 46, except as provided in paragraphs (1)(B), (2)(B), (3)(B), and (4)(B) of subsection (c), the energy credit for any taxable year is the energy percentage of the basis of each energy property placed in service during such taxable year.

(2) Energy percentage.

(A) In general. The energy percentage is--

(i) 30 percent in the case of--

(I) qualified fuel cell property,

(II) energy property described in paragraph (3)(A)(i) but only with respect to periods ending before January 1, 2017,

(III) energy property described in paragraph (3)(A)(ii), and

(IV) qualified small wind energy property, and

(ii) in the case of any energy property to which clause (i) does not apply, 10 percent.

(B) Coordination with rehabilitation credit. The energy percentage shall not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

(3) Energy property. For purposes of this subpart, the term "energy property" means any property--

(A) which is--

(i) equipment which uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat, excepting property used to generate energy for the purposes of heating a swimming pool,

(ii) equipment which uses solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight but only with respect to periods ending before January 1, 2017,

(iii) equipment used to produce, distribute, or use energy derived from a geothermal deposit (within the meaning of section 613(e)(2), but only, in the case of electricity generated by geothermal power, up to (but not including) the electrical transmission stage,

(iv) qualified fuel cell property or qualified microturbine property,

(v) combined heat and power system property,

(vi) qualified small wind energy property, or

(vii) equipment which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure, but only with respect to periods ending before January 1, 2017,

(B)

(i) the construction, reconstruction, or erection of which is completed by the taxpayer, or

(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer,

(C) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

(D) which meets the performance and quality standards (if any) which--

(i) have been prescribed by the Secretary by regulations (after consultation with the Secretary of Energy), and

(ii) are in effect at the time of the acquisition of the property.

Such term shall not include any property which is part of a facility the production from which is allowed as a credit under section 45 for the taxable year or any prior taxable year.

(4) Special rule for property financed by subsidized energy financing or industrial development bonds.

(A) Reduction of basis. For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by--

(i) subsidized energy financing, or

(ii) the proceeds of a private activity bond (within the meaning of section 141 the interest on which is exempt from tax under section 103, the amount taken into account as the basis of such property shall not exceed the amount which (but for this subparagraph) would be so taken into account multiplied by the fraction determined under subparagraph (B).

(B) Determination of fraction. For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction--

(i) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

(ii) the denominator of which is the basis of the property.

(C) Subsidized energy financing. For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

(D) Termination. This paragraph shall not apply to periods after December 31, 2008, under rules similar to the rules of section 48(m) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

(5) Election to treat qualified facilities as energy property.

(A) In general. In the case of any qualified property which is part of a qualified investment credit facility--

(i) such property shall be treated as energy property for purposes of this section, and

(ii) the energy percentage with respect to such property shall be 30 percent.

(B) Denial of production credit. No credit shall be allowed under section 45 for any taxable year with respect to any qualified investment credit facility.

(C) Qualified investment credit facility. For purposes of this paragraph, the term "qualified investment credit facility" means any of the following facilities if no credit has been allowed under section 45 with respect to such facility and the taxpayer makes an irrevocable election to have this paragraph apply to such facility:

(i) Wind facilities. Any qualified facility (within the meaning of section 45 in paragraph (1) of section 45(d) if such facility is placed in service in 2009, 2010, 2011, or 2012.

(ii) Other facilities. Any qualified facility (within the meaning of section 45 described in paragraph (2), (3), (4), (6), (7), (9), or (11) of section 45(d) if such facility is placed in service in 2009, 2010, 2011, 2012, or 2013.

(D) Qualified property. For purposes of this paragraph, the term "qualified property" means property--

(i) which is--

(I) tangible personal property, or

(II) other tangible property (not including a building or its structural components), but only if such property is used as an integral part of the qualified investment credit facility, and

(ii) with respect to which depreciation (or amortization in lieu of depreciation) is allowable.

(b) Certain progress expenditure rules made applicable. Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of subsection (a).

(c) Definitions. For purposes of this section--

(1) Qualified fuel cell property.

(A) In general. The term "qualified fuel cell property" means a fuel cell power plant which--

(i) has a nameplate capacity of at least 0.5 kilowatt of electricity using an electrochemical process, and

(ii) has an electricity-only generation efficiency greater than 30 percent.

(B) Limitation. In the case of qualified fuel cell property placed in service during the taxable year, the credit otherwise determined under subsection (a) for such year with respect to such property shall not exceed an amount equal to \$ 1500 for each 0.5 kilowatt of capacity of such property.

(C) Fuel cell power plant. The term "fuel cell power plant" means an integrated system comprised of a fuel cell stack assembly and associated balance of plant components which converts a fuel into electricity using electrochemical means.

(D) Termination. The term "qualified fuel cell property" shall not include any property for any period after December 31, 2016.

(2) Qualified microturbine property.

(A) In general. The term "qualified microturbine property" means a stationary microturbine power plant which--

(i) has a nameplate capacity of less than 2,000 kilowatts, and

(ii) has an electricity-only generation efficiency of not less than 26 percent at International Standard Organization conditions.

(B) Limitation. In the case of qualified microturbine property placed in service during the taxable year, the credit otherwise determined under subsection (a) for such year with respect to such property shall not exceed an amount equal \$ 200 for each kilowatt of capacity of such property.

(C) Stationary microturbine power plant. The term "stationary microturbine power plant" means an integrated system comprised of a gas turbine engine, a combustor, a recuperator or regenerator, a generator or alternator, and associated balance of plant components which converts a fuel into electricity and thermal energy. Such term also includes all secondary components located between the existing infrastructure for fuel delivery and the existing infrastructure for power distribution, including equipment and controls for meeting relevant power standards, such as voltage, frequency, and power factors.

(D) Termination. The term "qualified microturbine property" shall not include any property for any period after December 31, 2016.

(3) Combined heat and power system property.

(A) Combined heat and power system property. The term "combined heat and power system property" means property comprising a system--

(i) which uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications),

(ii) which produces--

(I) at least 20 percent of its total useful energy in the form of thermal energy which is not used to produce electrical or mechanical power (or combination thereof), and

(II) at least 20 percent of its total useful energy in the form of electrical or mechanical power (or combination thereof),

(iii) the energy efficiency percentage of which exceeds 60 percent, and

(iv) which is placed in service before January 1, 2017.

(B) Limitation.

(i) In general. In the case of combined heat and power system property with an electrical capacity in excess of the applicable capacity placed in service during the taxable year, the credit under subsection (a)(1) (determined without regard to this paragraph) for such year shall be equal to the amount which bears the same ratio to such credit as the applicable capacity bears to the capacity of such property.

(ii) Applicable capacity. For purposes of clause (i), the term "applicable capacity" means 15 megawatts or a mechanical energy capacity of more than 20,000 horsepower or an equivalent combination of electrical and mechanical energy capacities.

(iii) Maximum capacity. The term "combined heat and power system property" shall not include any property comprising a system if such system has a capacity in excess of 50 megawatts or a mechanical energy capacity in excess of 67,000 horsepower or an equivalent combination of electrical and mechanical energy

capacities.

(C) Special rules.

(i) Energy efficiency percentage. For purposes of this paragraph, the energy efficiency percentage of a system is the fraction--

(I) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and expected to be consumed in its normal application, and

(II) the denominator of which is the lower heating value of the fuel sources for the system.

(ii) Determinations made on btu basis. The energy efficiency percentage and the percentages under subparagraph (A)(ii) shall be determined on a Btu basis.

(iii) Input and output property not included. The term "combined heat and power system property" does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

(D) Systems using biomass. If a system is designed to use biomass (within the meaning of paragraphs (2) and (3) of section 45(c) without regard to the last sentence of paragraph (3)(A)) for at least 90 percent of the energy source--

(i) subparagraph (A)(iii) shall not apply, but

(ii) the amount of credit determined under subsection (a) with respect to such system shall not exceed the amount which bears the same ratio to such amount of credit (determined without regard to this subparagraph) as the energy efficiency percentage of such system bears to 60 percent.

(4) Qualified small wind energy property.

(A) In general. The term "qualified small wind energy property" means property which uses a qualifying small wind turbine to generate electricity.

(B) Qualifying small wind turbine. The term "qualifying small wind turbine" means a wind turbine which has a nameplate capacity of not more than 100 kilowatts.

(C) Termination. The term "qualified small wind energy property" shall not include any property for any period after December 31, 2016.

(d) Coordination with Department of Treasury grants. In the case of any property with respect to which the Secretary makes a grant under section 1603 of the American Recovery and Reinvestment Tax Act of 2009--

(1) Denial of production and investment credits. No credit shall be determined under this section or section 45 with respect to such property for the taxable year in which such grant is made or any subsequent taxable year.

(2) Recapture of credits for progress expenditures made before grant. If a credit was determined under this section with respect to such property for any taxable year ending before such grant is made--

(A) the tax imposed under subtitle A on the taxpayer for the taxable year in which such grant is made shall be increased by so much of such credit as was allowed under section 38,

(B) the general business carryforwards under section 39 shall be adjusted so as to recapture the portion of such credit which was not so allowed, and

(C) the amount of such grant shall be determined without regard to any reduction in the basis of such property by reason of such credit.

(3) Treatment of grants. Any such grant shall--

(A) not be includible in the gross income of the taxpayer, but

(B) shall be taken into account in determining the basis of the property to which such grant relates, except that the basis of such property shall be reduced under section 50(c) in the same manner as a credit allowed under subsection (a).

# The Solar Investment Tax Credit Frequently Asked Questions

## Frequently Asked Questions:

1. When is the extension of the ITC effective for commercial property?

Answer: The extension of the ITC for commercial solar property is effective on the date of enactment, October 3, 2008. Since the existing credit was not scheduled to expire until December 31, 2008, this means that the credit has been seamlessly extended through 12/31/2016.

2. What is the effective date for the allowance of the sec. 48 commercial ITC against AMT liability?

Answer: The allowance of the sec. 48 ITC against AMT liability is effective for taxable years beginning after the date of enactment. For most taxpayers, this will mean that the credit against AMT is effective beginning on January 1, 2009. However, business taxpayers have flexibility in choosing their fiscal year for tax purposes. If a taxpayer uses a fiscal year that runs from November 1 - October 31st, it would mean that they can begin using the credit against AMT beginning November 1, 2008, rather than having to wait until January 1, 2009.

3. What is the effective date for waiver of the public utility exception?

Answer: This provision is effective for periods after February 12, 2008, in taxable years ending after such date.

4. When is the ITC effective for residential solar energy efficiency property?

Answer: The extension of the ITC for residential solar energy efficiency property is effective on the date of enactment, October 3, 2008. Since the existing section 25D credit was not scheduled to expire until December 31, 2008, this means that the credit has been seamlessly extended through 12/31/2016.

5. What property qualifies for the section 25D residential ITC?

Answer: The credit applies to "qualified solar water heating property," (defined as "property to heat water for use in a dwelling unit located in the U.S. and used as a residence by the taxpayer if at least half of the energy used by such property is derived from the sun), and to "qualified solar electric property" (defined as

property which uses solar energy to generate electricity for use in a dwelling unit located in the U.S. and used as a residence by the taxpayer).

6. Does the elimination of the \$2,000 cap on the section 25D residential credit apply to solar thermal property?

Answer: Yes, the elimination of the \$2,000 cap applies to both qualified solar electric property expenditures and solar water heating projects.

7. What is the effective date of the elimination of the \$2,000 cap for solar electric property expenditures and solar water heating projects?

Answer: The elimination of the \$2,000 cap for solar electric property expenditures is effective for property placed in service after December 31, 2008. State laws dictate when in-state property is placed-in-service. The elimination of the \$2,000 cap for solar water heating projects is effective on February 17, 2009.

8. What is the effective date for allowance of the solar ITC against the AMT?

Answer: The provision allowing individual taxpayers to use the solar ITC against AMT liability is effective for taxable years beginning after December 31, 2007. Thus, individual taxpayers who are required to pay alternative minimum tax liability (rather than regular tax liability) for the 2008 tax year may take a credit of up to \$2,000 (the maximum credit amount for solar residential property placed in service during 2008) against the AMT liability. For the 2009 tax year, filers will be eligible to apply the full 30% ITC against the AMT liability.

9. Is there a carryforward and carryback for the commercial and residential ITC?

Answer: Under Code section 39, unused business tax credits may generally be carried back one year and carried forward 20 years. The commercial credit under section 48 is part of the general business credit (section 38).

For the residential credit, there is no carryback under Code section 25D. The 25D credit may only be carried forward to the succeeding taxable year -- i.e., there's only a one-year carryforward for the residential credit.

Department of the Treasury  
Internal Revenue Service (99)  
Name(s) shown on return

▶ **Attach to your tax return. See instructions.**

Identifying number

**Part I Information Regarding the Election To Treat the Lessee as the Purchaser of Investment Credit Property**

If you are claiming the investment credit as a lessee based on a section 48(d) (as in effect on November 4, 1990) election, provide the following information. If you acquired more than one property as a lessee, attach a statement showing the information below.

- 1 Name of lessor \_\_\_\_\_
- 2 Address of lessor \_\_\_\_\_
- 3 Description of property \_\_\_\_\_
- 4 Amount for which you were treated as having acquired the property . . . . . ▶ \$ \_\_\_\_\_

**Part II Qualifying Advanced Coal Project Credit, Qualifying Gasification Project Credit, and Qualifying Advanced Energy Project Credit**

<b>5</b>	Qualifying advanced coal project credit (see instructions):		
<b>a</b>	Qualified investment in integrated gasification combined cycle property placed in service during the tax year for projects described in section 48A(d)(3)(B)(i) . . . . . \$ _____ × 20% (.20)	<b>5a</b>	
<b>b</b>	Qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(ii) . . . . . \$ _____ × 15% (.15)	<b>5b</b>	
<b>c</b>	Qualified investment in advanced coal-based generation technology property placed in service during the tax year for projects described in section 48A(d)(3)(B)(iii) . . . . . \$ _____ × 30% (.30)	<b>5c</b>	
<b>d</b>	Total. Add lines 5a, 5b, and 5c . . . . .	<b>5d</b>	
<b>6</b>	Qualifying gasification project credit (see instructions):		
<b>a</b>	Qualified investment in qualified gasification property placed in service during the tax year for which credits were allocated or reallocated after October 3, 2008, and that includes equipment that separates and sequesters at least 75% of the project's carbon dioxide emissions . . . . . \$ _____ × 30% (.30)	<b>6a</b>	
<b>b</b>	Qualified investment in property other than in <b>a</b> above placed in service during the tax year . . . . . \$ _____ × 20% (.20)	<b>6b</b>	
<b>c</b>	Total. Add lines 6a and 6b . . . . .	<b>6c</b>	
<b>7</b>	Qualifying advanced energy project credit (see instructions): Qualified investment in advanced energy project property placed in service after February 17, 2009 . . . . . \$ _____ × 30% (.30)	<b>7</b>	
<b>8</b>	Enter the applicable unused investment credit from cooperatives (see instructions) . . . . .	<b>8</b>	
<b>9</b>	Add lines 5d, 6c, 7, and 8. Report this amount on Form 3800, line 1a . . . . .	<b>9</b>	

**Part III Rehabilitation Credit and Energy Credit**

<b>10</b>	Rehabilitation credit (see instructions for requirements that must be met):		
<b>a</b>	Check this box if you are electing under section 47(d)(5) to take your qualified rehabilitation expenditures into account for the tax year in which paid (or, for self-rehabilitated property, when capitalized). See instructions. <b>Note.</b> This election applies to the current tax year and to all later tax years. You may not revoke this election without IRS consent . . . . . ▶ <input type="checkbox"/>		
<b>b</b>	Enter the dates on which the 24- or 60-month measuring period begins _____ and ends _____		
<b>c</b>	Enter the adjusted basis of the building as of the beginning date above (or the first day of your holding period, if later) . . . . . \$ _____		
<b>d</b>	Enter the amount of the qualified rehabilitation expenditures incurred, or treated as incurred, during the period on line 10b above . . . . . \$ _____ Enter the amount of qualified rehabilitation expenditures and multiply by the percentage shown:		
<b>e</b>	Pre-1936 buildings located in the Gulf Opportunity Zone . . . . . \$ _____ × 13% (.13)	<b>10e</b>	
<b>f</b>	Pre-1936 buildings affected by a Midwestern disaster . . . . . \$ _____ × 13% (.13)	<b>10f</b>	
<b>g</b>	Other pre-1936 buildings . . . . . \$ _____ × 10% (.10)	<b>10g</b>	
<b>h</b>	Certified historic structures located in the Gulf Opportunity Zone . . . . . \$ _____ × 26% (.26)	<b>10h</b>	

**Part III Rehabilitation Credit and Energy Credit (continued)**

i	Certified historic structures affected by a Midwestern disaster	\$ _____ × 26% (.26)	<b>10i</b>		
j	Other certified historic structures . . . . .	\$ _____ × 20% (.20)	<b>10j</b>		
For properties identified on lines 10h, 10i, or 10j, complete lines 10k and 10l.					
k	Enter the assigned NPS project number or the pass-through entity's employer identification number (see instructions) . . . . .				
l	Enter the date that the NPS approved the Request for Certification of Completed Work (see instructions) . . . . .				
m	Rehabilitation credit from an electing large partnership (Schedule K-1 (Form 1065-B), box 9) . . .		<b>10m</b>		
<b>11</b>	Energy credit:				
a	Basis of property using geothermal energy or solar energy (acquired before January 1, 2006, and the basis attributable to construction, reconstruction, or erection by the taxpayer before January 1, 2006) placed in service during the tax year (see instructions) . . . . . \$ _____ × 10% (.10)		<b>11a</b>		
b	Basis of property using solar illumination or solar energy placed in service during the tax year that was acquired after December 31, 2005, and the basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005 (see instructions) . . . . . \$ _____ × 30% (.30)		<b>11b</b>		
Qualified fuel cell property (see instructions):					
c	Basis of property placed in service during the tax year that was acquired after December 31, 2005, and before October 4, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005, and before October 4, 2008 . . . . . \$ _____ × 30% (.30)		<b>11c</b>		
d	Applicable kilowatt capacity of property on line 11c (see instructions) ▶ _____ × \$1,000		<b>11d</b>		
e	Enter the lesser of line 11c or 11d . . . . .		<b>11e</b>		
f	Basis of property placed in service during the tax year that was acquired after October 3, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008 . . . . . \$ _____ × 30% (.30)		<b>11f</b>		
g	Applicable kilowatt capacity of property on line 11f (see instructions) ▶ _____ × \$3,000		<b>11g</b>		
h	Enter the lesser of line 11f or 11g . . . . .		<b>11h</b>		
Qualified microturbine property (see instructions):					
i	Basis of property placed in service during the tax year that was acquired after December 31, 2005, and the basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2005 . . . . . \$ _____ × 10% (.10)		<b>11i</b>		
j	Kilowatt capacity of property on line 11i . . . . . ▶ _____ × \$200		<b>11j</b>		
k	Enter the lesser of line 11i or 11j . . . . .		<b>11k</b>		

**Part III Rehabilitation Credit and Energy Credit (continued)**

Combined heat and power system property (see instructions): <b>Caution:</b> You cannot claim this credit if the electrical capacity of the property is more than 50 megawatts or 67,000 horsepower.			
<b>l</b>	Basis of property placed in service during the tax year that was acquired after October 3, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008 . . . . . \$ _____ × 10% (.10)	<b>11l</b>	
<b>m</b>	If the electrical capacity of the property is measured in: • Megawatts, divide 15 by the megawatt capacity. Enter 1.0 if the capacity is 15 megawatts or less. • Horsepower, divide 20,000 by the horsepower. Enter 1.0 if the capacity is 20,000 horsepower or less . . . . .	<b>11m</b>	
<b>n</b>	Multiply line 11l by 11m . . . . .	<b>11n</b>	
Qualified small wind energy property (see instructions):			
<b>o</b>	Basis of property placed in service during the tax year that was acquired after October 3, 2008, and before January 1, 2009, and the basis attributable to the construction, reconstruction, or erection by the taxpayer after October 3, 2008, and before January 1, 2009 . . . . . \$ _____ × 30% (.30)	<b>11o</b>	
<b>p</b>	Enter the smaller of line 11o or \$4,000 . . . . .	<b>11p</b>	
<b>q</b>	Basis of property placed in service during the tax year that was acquired after December 31, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after December 31, 2008 . . . . . \$ _____ × 30% (.30)	<b>11q</b>	
Geothermal heat pump systems (see instructions):			
<b>r</b>	Basis of property placed in service during the tax year that was acquired after October 3, 2008, and the basis attributable to construction, reconstruction, or erection by the taxpayer after October 3, 2008 . . . . . \$ _____ × 10% (.10)	<b>11r</b>	
Qualified investment credit facility property (see instructions):			
<b>s</b>	Basis of property placed in service during the tax year . . . \$ _____ × 30% (.30)	<b>11s</b>	
<b>12</b>	Enter the applicable unused investment credit from cooperatives (see instructions) . . . . .	<b>12</b>	
<b>13</b>	Add lines 10e through 10j, 10m, 11a, 11b, 11e, 11h, 11k, 11n, 11p, 11q, 11r, 11s, and 12 . . . . .	<b>13</b>	
<b>14</b>	Rehabilitation and energy credits included on line 13 from passive activities . . . . .	<b>14</b>	
<b>15</b>	Subtract line 14 from line 13 . . . . .	<b>15</b>	
<b>16</b>	Rehabilitation and energy credits allowed for 2009 from a passive activity . . . . .	<b>16</b>	
<b>17</b>	Carryforward of the rehabilitation credit that originated after 2007 and the energy credit that originated in a tax year that began after October 3, 2008 (see instructions) . . . . .	<b>17</b>	
<b>18</b>	Carryback of rehabilitation and energy credits from 2010 . . . . .	<b>18</b>	
<b>19</b>	Add lines 15 through 18. Report this amount on Form 3800, line 29a . . . . .	<b>19</b>	

3/19/10



## Federal

### Incentives/Policies for Renewables & Efficiency

#### Modified Accelerated Cost-Recovery System (MACRS) + Bonus Depreciation (2008-2009)

Last DSIRE Review: 01/20/2010

#### Program Overview:

<b>State:</b>	Federal
<b>Incentive Type:</b>	Corporate Depreciation
<b>Eligible Renewable/Other Technologies:</b>	Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Landfill Gas, Wind, Biomass, Geothermal Electric, Fuel Cells, Geothermal Heat Pumps, Municipal Solid Waste, CHP/Cogeneration, Solar Hybrid Lighting, Anaerobic Digestion, Microturbines
<b>Applicable Sectors:</b>	Commercial, Industrial
<b>Authority 1:</b>	26 USC § 168
<b>Date Effective:</b>	1986
<b>Authority 2:</b>	26 USC § 48

#### Summary:

**Note: While the general Modified Accelerated Cost Recovery System (MACRS) remains in effect, the provision authorizing additional first-year bonus depreciation of 50% of eligible costs expired December 31, 2009. Although it is possible that bonus depreciation could be renewed for projects placed in service in 2010, as of this writing no such renewal had been enacted.**

Under the federal Modified Accelerated Cost-Recovery System (MACRS), businesses may recover investments in certain property through depreciation deductions. The MACRS establishes a set of class lives for various types of property, ranging from three to 50 years, over which the property may be depreciated. A number of renewable energy technologies are classified as five-year property (26 USC § 168(e)(3)(B)(vi)) under the MACRS, which refers to 26 USC § 48(a)(3)(A), often known as the energy investment tax credit or ITC to define eligible property. Such property currently includes:

- a variety of solar electric and solar thermal technologies
- fuel cells and microturbines
- geothermal electric
- direct-use geothermal and geothermal heat pumps
- small wind (100 kW or less)
- combined heat and power (CHP).
- The provision which defines ITC technologies as eligible also adds the general term "wind" as an eligible technology, extending the five-year schedule to large wind facilities as well.

In addition, for certain other biomass property, the MACRS property class life is seven years. Eligible biomass property generally includes assets used in the conversion of biomass to heat or to a solid, liquid or gaseous fuel, and to equipment and structures used to receive, handle, collect and process biomass in a waterwall, combustion system, or refuse-derived fuel system to create hot water, gas, steam and

electricity.

The 5-year schedule for most types of solar, geothermal, and wind property has been in place since 1986. The federal *Energy Policy Act of 2005* (EPAct 2005) classified fuel cells, microturbines and solar hybrid lighting technologies as five-year property as well by adding them to § 48(a)(3)(A). This section was further expanded in October 2008 by the addition of geothermal heat pumps, combined heat and power, and small wind under *The Energy Improvement and Extension Act of 2008*.

The federal *Economic Stimulus Act of 2008*, enacted in February 2008, included a 50% first-year bonus depreciation (26 USC § 168(k)) provision for eligible renewable-energy systems acquired and placed in service in 2008. This provision was extended (retroactively to the entire 2009 tax year) under the same terms by *The American Recovery and Reinvestment Act of 2009*, enacted in February 2009. To qualify for bonus depreciation, a project must satisfy these criteria:

- the property must have a recovery period of 20 years or less under normal federal tax depreciation rules;
- the original use of the property must commence with the taxpayer claiming the deduction;
- the property generally must have been acquired during 2008 or 2009; and
- the property must have been placed in service during 2008 or 2009

If property meets these requirements, the owner is entitled to deduct 50% of the adjusted basis of the property in 2008 and 2009. The remaining 50% of the adjusted basis of the property is depreciated over the ordinary depreciation schedule. The bonus depreciation rules do not override the depreciation limit applicable to projects qualifying for the federal business energy tax credit. Before calculating depreciation for such a project, including any bonus depreciation, the adjusted basis of the project must be reduced by one-half of the amount of the energy credit for which the project qualifies.

For more information on the federal MACRS, see *IRS Publication 946, IRS Form 4562: Depreciation and Amortization*, and *Instructions for Form 4562*. The IRS web site provides a search mechanism for forms and publications. Enter the relevant form, publication name or number, and click "GO" to receive the requested form or publication.

*\* Note that the definitions of eligible technologies included in this entry are somewhat simplified versions of those contained in tax code, which often contain additional caveats, restrictions, and modifications. Those interested in this incentive should review the relevant sections of the code in detail prior to making business decisions.*

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**Contact:**

Public Information - IRS  
U.S. Internal Revenue Service  
1111 Constitution Avenue, N.W.  
Washington, DC 20224  
**Phone:** (800) 829-1040  
**Web Site:** <http://www.irs.gov>

3/19/10



## Louisiana

### Incentives/Policies for Renewables & Efficiency

#### Solar Energy System Exemption

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Last DSIRE Review: 01/11/2010

#### Program Overview:

<b>State:</b>	Louisiana
<b>Incentive Type:</b>	Property Tax Incentive
<b>Eligible Renewable/Other Technologies:</b>	Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Photovoltaics, Solar Pool Heating
<b>Applicable Sectors:</b>	Residential
<b>Amount:</b>	100%
<b>Maximum Incentive:</b>	None
<b>Authority 1:</b>	La. R.S. 47:1706

#### Summary:

In Louisiana, any equipment attached to an owner-occupied residential building or swimming pool as part of a solar energy system is considered personal property that is exempt from ad valorem taxation. The value of a solar energy system will not be included in the assessment of such buildings or swimming pools.

A solar energy system is defined as "any device that uses the heat of the sun as its primary energy source and is used to heat or cool the interior of a structure or swimming pool, or to heat water for use within a structure or swimming pool." Solar energy systems include but are not limited to systems utilizing solar collectors, solar cells and passive roof ponds.

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#### Contact:

Public Information - LA DOR  
LA Department of Revenue  
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