

Vermont Department of Taxes
TECHNICAL BULLETIN

TAX: Income Tax

TB – 45

SUBJECT: Business Solar Tax Credit

ISSUED: March 23, 2009

REVISED: July 14, 2009

STATUTORY REFERENCES:

REVISED: July 25, 2010¹

Individual Taxpayers: 32 VSA Sections 5822(c)(1)(B) and 5822(d)

Corporate Taxpayers: 32 VSA Section 5930z

The purpose of this bulletin is to describe the guidelines and mechanism to utilize the Business Solar Tax Credit authorized by Act 92 of 2008, modified by Acts 45 and 54 of 2009 and Act 159 of 2010.

Taxpayers making a business solar energy investment in Vermont are eligible to receive 100 percent of the amount of the Federal business solar tax credit as a credit against Vermont tax although certain restrictions apply. The income tax credit is available for taxable years 2008, 2009 and 2010 and is non-refundable. This credit applies *only* for installations of solar energy equipment on Vermont business property.² Vermont adopts Internal Revenue Code Section 48 to define a business solar energy investment.

In 2009, the Vermont General Assembly enacted a limitation for projects installed on or after January 1, 2009. Taxpayers cannot claim the Business Solar Tax Credit if they have received a grant from the Vermont Clean Energy Development Fund for that project. For projects installed after October 1, 2009, the tax credit must be calculated without regard to any costs covered by grants or similar funding from any public or private program that assists in providing capital investment for a renewable energy project.³ For installations where the calculation of the federal credit does not conform to Vermont limitations, a pro forma Federal Form 3468 must be completed.

For installations in 2010, the full Vermont Business Solar tax credit is only available for those businesses that have obtained a tax credit certification from the Clean Energy Development Board.⁴ An individual who is eligible for a federal investment tax credit is eligible for 24 percent of the Vermont-property portion of solar investments on the Vermont Personal Income Tax return even if the individual has not received a solar tax credit certification from the Clean Energy Development Board.

¹ The 2010 revisions reflect modifications to the credit enacted in Act 159 of 2010.

² Vermont offers incentives for residential solar installations but no state tax credit. Homeowners may be eligible for a Federal solar tax credit. See Federal Form 5695.

³ Acts 45 and 54 of 2009.

⁴ Act 159 established a dollar limit for the amount of tax credit available to Vermont taxpayers and established deadlines for applying for certificates to obtain the credit. Information is available from the Clean Energy Development Board regarding the application and selection process.

(http://publicservice.vermont.gov/energy/ee_files/cedf/Tax%20Credit%20Process%20announcement%20memo.pdf)

Taxpayers calculate the federal Business Solar Energy Tax Credit on IRS Form 3468, which includes other investment tax credits as well. The credit for solar energy property is 30 percent for property installed prior to January 1, 2017. The credit is calculated on the tax basis of property using solar panels for electricity generation or thermal heating and solar fiber optic lighting in qualified installations (Line 11b of Federal Form 3468). The actual amount of credit available to taxpayers is limited by their tax liability. This limitation applies to both the federal credit and the Vermont credit.⁵

For Individual and Fiduciary Income Tax Filers

The Business Solar Tax Credit is one of several federal Investment Tax Credits currently reported by individuals on the Tax Adjustment and Credits Schedule IN-112. Effective January 1, 2009, the Investment Tax Credit is only available for the Vermont portion of those investments.

For the Business Solar Tax Credit portion of Investment Tax Credits, Vermont taxpayers claim 24 percent of the federal credit amount. Taxpayers are allowed the remaining 76 percent of the solar tax credit if the solar installation is on business property located in Vermont and for investments installed in 2010. The credit is available only if the taxpayer has received a certificate for the tax credit from the Clean Energy Development Board.

The Vermont credit is based on the federal credit as calculated on Federal Form 3468 with the requirements that:

- No credit is available when a project is supported by the Clean Energy Development fund,
- The cost basis for calculating the Vermont credit for any solar project after October 1, 2009 is reduced by grants or similar funding from any public or private program, and
- The value of the credit for projects after December 31, 2009 is limited by the value of the tax exemption certificate provided by the Clean Energy Development Board and the amount of the federal credit.

The credit is then reported on two separate lines of the form:

- The full amount of the Vermont portion of the federal Business Solar Energy Tax Credit, in addition to other eligible investment tax credits, is reported on Line 13 (Investment Tax Credit) of Vermont Schedule IN-112, Part II. The 24% portion is calculated on Line 16.
- The remaining 76 percent of the eligible federal credit amount of the Vermont solar energy tax credit is entered on Line 17 of Schedule IN-112, Part II.

For Corporate and Business Filers

The Vermont Business Solar Tax Credit for corporate and business filers is subject to the same limitations as for individual income tax filers. The full credit amount is reported on Line 14 of Vermont's Form BA-404. Pass-through entities will allocate the credit to members/shareholders/partners on Line 6 of the K-1 VT.

⁵ The US Department of the Treasury provides grants in lieu of the federal Investment Tax Credit for business solar investments. Taxpayers who receive this grant are not eligible for the federal Investment Tax Credit on their solar investments and are therefore, not eligible for the Vermont Business Solar Tax Credit.

Carry forward

The Vermont Business Solar Tax Credit available under Section 5930z and under Section 5822(d) may be carried forward for up to five years. The amount eligible for carry forward is the portion of Line 11b of Federal Form 3468 (as recalculated on a pro forma federal form when subject to Vermont limitations) reported on the appropriate Vermont form, but not taken in that year. For example, a \$100,000 business solar investment in 2009 will result in a \$30,000 credit reported on Form 3468. The taxpayer should report \$30,000 on line 13 (resulting in a \$7,200 credit on line 16) and \$22,800 on line 17 of IN-112 or \$30,000 on line 14 of BA-404. If in 2009, only \$10,000 of tax liability exists prior to the use of the credit, in 2010, the taxpayer should report \$20,000 on line 17 of IN-112 or line 14 of BA-404. Taxpayers claiming the Investment Tax Credit for solar investments (24% of federal credit) but not receiving a Certificate from the Clean Energy Development Board for the Business Solar Tax Credit are not eligible to carry forward unused portions of the credit.

Credit Recapture

If a credit is recaptured at the federal level, there is a recapture of the total Vermont credit as well. Due to differences between Vermont and federal rules for calculation of the credit and carry forward, the taxpayer is responsible for maintaining records that clearly tracks both the value of the federal credit and Vermont credit. Enter the recaptured amounts on Lines 5 and 9 of Schedule IN-112, Part II.

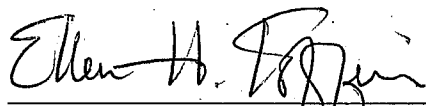
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