

ARIZONA DEPARTMENT OF REVENUE

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ARIZONA INDIVIDUAL INCOME TAX PROCEDURE ITP 02-1

Procedure for Taxpayers Claiming a Subtraction for Energy Efficient Residences

This procedure is intended to provide guidance with respect to taxpayers claiming a subtraction for energy efficient residences.

APPLICABLE LAW:

Arizona Revised Statutes (A.R.S.) § 43-1022 provides a subtraction from Arizona gross income for the amount allowed by A.R.S. § 43-1031 for an energy efficient residence.

A.R.S. § 43-1031 provides that, for taxable years beginning from and after December 31, 2001, through December 31, 2010, an income tax subtraction is allowed for an energy efficient residence.

DISCUSSION:

For taxable years beginning from and after December 31, 2001, through December 31, 2010, Arizona law allows a subtraction for an energy efficient residence. The subtraction is allowed for selling one or more new energy efficient residences located in Arizona. The subtraction is equal to 5% of the sales price excluding commissions, taxes, interest, points, and other brokerage, finance and escrow charges. The subtraction cannot exceed \$5,000 for each new qualifying residence.

An energy efficient residence is a new single-family residence, condominium, or town house that exceeds the 1995 model energy code by 50% or more as determined by an approved rating program. Rating programs must meet the U.S. Department of Energy's home energy rating system guidelines or other guidelines approved by the Arizona Department of Commerce Energy Office. Under these guidelines, a home that meets these requirements must have a numerical score of 90 or more using the National Association of State Energy

OTHER LOCATIONS: Tucson Government Mall – 400 W. CONGRESS - TUCSON
East Valley – 3191 N. WASHINGTON STREET - CHANDLER
North Valley – 2902 W. AGUA FRIA FREEWAY - PHOENIX

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Officials (NASEO) National Home Energy Rating Technical Guidelines as published on June 9, 2000.

The taxpayer that builds the new residence may claim the subtraction when the taxpayer first sells the residence. However, the seller may elect to transfer the subtraction. The seller may elect to transfer the subtraction only if the seller qualifies for the subtraction under Title 43, Chapter 10. Since a corporation does not qualify for the subtraction under Title 43, Chapter 10, a corporation that constructs and sells an energy efficient residence is not eligible for the subtraction, nor can the corporation transfer the subtraction.

PROCEDURE:

An eligible taxpayer may take the subtraction for selling one or more new energy efficient residences located in Arizona. The subtraction is equal to 5% of the sales price excluding commissions, taxes, interest, points, and other brokerage, finance and escrow charges. The subtraction cannot exceed \$5,000 for each new qualifying residence.

An energy efficient residence is a new single-family residence, condominium, or town house that exceeds the 1995 model energy code by 50% or more as determined by an approved rating program. Rating programs must meet the U.S. Department of Energy's home energy rating system guidelines or other guidelines approved by the Arizona Department of Commerce Energy Office. Under these guidelines, a home that meets these requirements must have a numerical score of 90 or more using the National Association of State Energy Officials (NASEO) National Home Energy Rating Technical Guidelines as published on June 9, 2000.

The seller must keep records, and make them available to the department on request, proving the residence qualifies as an energy efficient residence and substantiating the amount of subtraction being claimed or transferred for the residence.

To be eligible to take a subtraction for an energy efficient residence, the taxpayer, must be a trust or estate filing an Arizona fiduciary income tax return, an individual, or a partnership.

The taxpayer that builds the residence may claim the subtraction when the taxpayer first sells the residence. However, the seller may elect to transfer the subtraction. For a seller to be eligible to transfer the subtraction the seller must be a trust or estate filing an Arizona fiduciary income tax return, an individual, or a partnership.

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A qualifying seller that elects to claim the subtraction must enter the subtraction on the appropriate line of the Arizona income tax return and indicate the number of residences for which the taxpayer is claiming a subtraction.

Mark W. Killian, Director

Date

Explanatory Notice

The purpose of a tax procedure is to provide procedural guidance to the general public and to department personnel. A tax procedure is a written statement issued by the department to assist in the implementation of tax laws, administrative rules, and tax rulings by delineating procedures to be followed in order to achieve compliance with the law. Relevant statute, case law, or administrative rules, as well as a subsequent procedure, may modify or negate any or all of the provisions of any tax procedure. See GTP 96-1 for more detailed information regarding documents issued by the Department of Revenue.