

CORPORATE AND INDIVIDUAL INCOME TAX CREDIT FOR WATER CONSERVATION SYSTEMS *IMPLEMENTATION*

NOTE: ALL APPLICATIONS MUST BE POSTMARKED AND MAILED TO THE ADDRESS SHOWN AT THE END OF THIS EXPLANATION.

INDIVIDUAL INCOME TAX CREDIT

This credit is for costs associated with installing a water conservation system in the taxpayer's residence located in Arizona.

A water conservation system is a system or series of components or mechanisms that are designed to provide for the collection of rainwater or residential graywater. A water conservation system includes a system that is capable of storing rainwater or residential graywater for future use and reusing the collected water for the same residential property.

1. To qualify for the credit, a residential graywater conservation system and its installation must comply with rules that are adopted by the Arizona Department of Environmental Quality (ADEQ) and that relate to the recovery and disposal of graywater. For detailed information please contact ADEQ:
 - www.azdeq.gov/environ/water/permits/reclaimed.html
 - Phone number: (602) 771-2300
Toll free: (800) 234-5677
2. This credit is effective for taxable years from and after December 31, 2006. It ends before January 1, 2012. Therefore, the credit is available for tax years 2007, 2008, 2009, 2010 and 2011.
3. The credit is equal to the **lesser** of 25% of the cost of the system or \$1,000.
4. Only one credit in one tax year is allowed per residence.
5. Tax credits claimed over multiple tax years by a taxpayer for the same residence cannot exceed \$1, 000.
6. If the credit exceeds the tax due on the taxpayer's tax return, it can be carried forward for five years.
7. The individual must make application to the Arizona Department of Revenue (ADOR) on the appropriate ADOR form and must obtain a Credit Certification indicating that the taxpayer is entitled to take this credit and the amount of credit to which the taxpayer is entitled. **Application can only be made after actual purchase and installation of the system. Copies of the receipt for purchase and installation of the system, with date of installation shown, must be attached to the application.**

8. If the taxpayer's purchase and installation of the system is contingent upon receiving the credit, the taxpayer can contact the department to see how much room under the credit limitation is available. Although a guarantee of credit availability cannot be provided, a fairly educated guess of credit availability can be made.
9. The Credit Certification must be attached to the taxpayer's individual income tax return at the time of filing as proof of eligibility.
10. The maximum amount of individual income tax credits the ADOR can certify in a calendar year is \$250,000.
11. Credits shall be granted on a first come, first served basis.
12. If an application is received that, if authorized, would require the ADOR to exceed \$250,000, ADOR shall grant that applicant only the remaining credit amount that would not exceed the \$250,000 limit.
13. ADOR may verify that a water conservation system has been installed in the taxpayer's residence.

CORPORATE INCOME TAX CREDIT

1. The credit is for costs incurred of installing a water conservation system plumbing stub out that collects all graywater sources that end at a plumbing stub out that is separate and distinct from the regular plumbing system. These costs are for installing or including such a system in one or more houses or dwelling units located in Arizona and constructed by the taxpayer,
2. This credit is effective for taxable years from and after December 31, 2006. It ends before January 1, 2012. Therefore, the credit is available for tax years 2007, 2008, 2009, 2010 and 2011.
3. To qualify for the credit, the stub out must:
 - a. Comply with rules adopted by the Arizona Department of Environmental Quality and that relate to the direct reuse of reclaimed water.
 - b. Meet applicable local building codes.
4. The credit cannot exceed \$200 for each separate house or dwelling unit.
5. If the credit exceeds the tax due on the taxpayer's tax return, it can be carried forward for five years.
6. Co-owner of a business, including corporate partners in a partnership, may each claim only the pro rata share of the credit, based on ownership interest.
7. The corporation must make application to the Arizona Department of Revenue (ADOR) on the appropriate ADOR form and must obtain a Credit Certification indicating that the taxpayer is entitled to take this credit and the amount of credit to which the taxpayer is entitled. **Application can only be made after actual purchase and installation of the system. Copies of documentation for installation of the plumbing stub outs, with date of installation and addresses shown, must be attached to the application.**

8. If the taxpayer's installation of the stub outs is contingent upon receiving the credit, the taxpayer can contact the department to see how much room under the credit limitation is available. Although a guarantee of credit availability cannot be provided, a fairly educated guess of credit availability can be made.
9. The Credit Certification should be attached to the taxpayer's corporate income tax return at the time of filing as proof of eligibility.
10. The maximum amount of corporate income tax credits the ADOR can certify in a calendar year is \$500,000.
11. Credits shall be granted on a first come, first served basis.
12. If an application is received that, if authorized, would require the ADOR to exceed \$500,000, ADOR shall grant that applicant only the remaining credit amount that would not exceed the \$500,000 limit.
13. ADOR may verify that a water conservation system has been installed by the taxpayer.

If you have questions regarding this credit, contact Diane Sosinski at (602) 716-6797 or email dsosinski@azdor.gov.

Mail completed applications to:

Diane Sosinski, Economist
Office of Economic Research and Analysis
Arizona Department of Revenue
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