

2016 Renewable Energy Production Tax Credit

For information or help, call one of the numbers listed:

Phoenix (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at www.azdor.gov.

Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and click on *Legal Research* then click on *Procedures* or *Rulings* and select a tax type from the drop down menu.

Publications

To view or print the department's publications, go to our website and click on *Publications*.

General Instructions

Arizona Revised Statutes §§ 43-1083.02 and 43-1164.03 provide nonrefundable individual and corporate income tax credits for production of electricity by a qualified energy generator that produces electricity using a qualified energy resource.

"Qualified energy generator" means a facility that has at least five megawatts generating capacity, that is located on land in Arizona owned or leased by the taxpayer, that produces electricity using a qualified energy resource and that sells electricity to an unrelated entity, unless the electricity is sold to a public service corporation.

"Qualified energy resource" means a resource that generates electricity through the use of only: solar light, solar heat, wind or biomass.

The qualified energy generator must first produce electricity from and after December 31, 2010, and before January 1, 2021. The credit is effective for taxable years beginning from and after December 31, 2010.

The Department of Revenue (Revenue) will certify credits on a first-come, first-served basis. The entity that holds title to the qualified energy generator must apply between January 2 and January 31 of the year following the calendar year of production. Fiscal year taxpayers will claim the credit on the return for the taxable year in which the calendar year ends.

The amount of total credits Revenue may allow cannot exceed \$20 million in any calendar year. The amount of credit per facility is limited to \$2 million per calendar year, for up to 10 consecutive calendar years. The amount of the credit is based on electricity produced, the qualified energy resource used, the year of production, and Revenue certification.

Revenue will issue a Certificate of Renewable Energy Production Tax Credit (Certificate) to the applicant if it is certified to claim the tax credit. Each taxpayer must include a copy of the Certificate with the return.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

The unused portion of this tax credit may be carried forward for five succeeding taxable years.

For more information regarding this credit, review the program guidelines developed by Revenue, available at www.azdor.gov on the Tax Credits page.

Specific Instructions

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an Internal Revenue Service individual taxpayer identification number. A taxpayer that fails to include its TIN may be subject to a penalty.

Part 1 - Qualification for and Current Taxable Year's Credit

Line 1 -

If the taxpayer received a Certificate from Revenue, check the "Yes" box. Otherwise, check the "No" box and skip line 2.

Line 2 -

If you checked the "Yes" box on line 1, enter the amount of credit for calendar year 2016 on your Certificate from Revenue. Fiscal year taxpayers will claim the credit on the return for the taxable year in which the calendar year ends. Be sure to include a copy of your Certificate.

Line 3 -

If an entity from which you are claiming a pass through renewable energy production tax credit received a Certificate from Revenue, check the "Yes" box. Otherwise, check the "No" box, and skip line 4 and line 5.

If you checked the "No" box for both line 1 and line 3, do not file Form 343, unless you have carryovers from prior years.

Line 4 -

If you checked the "Yes" box on line 3, enter the name of the entity that received the Certificate from Revenue and its taxpayer identification number on line 4.

Line 5 -

If you checked the "Yes" box on line 3, enter your share of the credit for taxable year 2016.

Line 6 -

Enter the total of line 2 and line 5. This is your current taxable year's total renewable energy production tax credit.

Part 2 - S Corporation Credit Election and Shareholder's Share of Credit

Line 7 - S Corporation Credit Election

S corporations must complete line 7. The S corporation must make an irrevocable election to either claim the current taxable year credit or pass the credit through to its shareholders. The election

statement must be signed by one of the officers of the S corporation who is also a signatory to Arizona Form 120S. If the S corporation elects to claim the credit itself, it can skip lines 8 through 12 and complete Part 4 and Part 5.

Lines 8 through 12 -

If an S corporation elects to pass the credit through to its shareholders, it must also complete lines 8 through 10. If the S corporation received a Certificate from Revenue, it must also complete line 11. If the S corporation received a credit passed through from a partnership, and the partnership received a Certificate from Revenue, the S corporation must also complete line 12.

After the S corporation completes Part 1, it must complete Part 2, lines 8 through 10, separately for each shareholder. The S corporation must also complete line 11 and/or line 12, as applicable, separately for each shareholder.

Each S corporation shareholder is entitled to only a *pro rata* share of pass through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of the Certificate and pages 1 and 2 of Form 343. Each shareholder would then complete Part 4 and Part 5.

NOTE: *Taxpayers who are partners or shareholders in multiple entities receiving the renewable energy production tax credit must create a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule with their tax returns.*

Part 3 - Partner's Share of Credit

Partnerships must complete Form 343, Part 1. The partnership must complete Part 3, lines 13 through 17, separately for each partner.

Each partner is entitled to only a *pro rata* share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of the Certificate and pages 1 and 2 of Form 343. Each partner would then complete Part 4 and Part 5.

NOTE: *Taxpayers who are partners or shareholders in multiple entities receiving the renewable energy production tax credit must create a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule with their tax returns.*

Part 4 - Available Credit Carryover

Use Part 4 to figure your total available credit carryover from prior taxable years. Complete lines 18 through 23, columns (a) through (d), if you claimed the credit on a prior year's return and the credit exceeded your tax liability.

Enter the taxable year(s) from which you are carrying over the credit in column (a) on lines 18 through 22. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c)

from the amount in column (b) and enter the difference in column (d). Add the amounts entered on lines 18 through 22 in column (d). Enter the total on line 23, column (d). This is the total credit carryover available for the current taxable year.

Part 5 - Total Available Credit

NOTE: *If you are claiming this credit as a credit you earned, AND are claiming this credit as a pass through credit from a partnership or S corporation, add the amount you earned to the amount passed through to you. Enter the total on line 24.*

Line 24 -

Enter the current year's credit.

Individuals, corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI - enter the amount from Part 1, line 6.

S corporation shareholders - enter the amount from Part 2, line 10.

Partners of a partnership - enter the amount from Part 3, line 15.

Individuals - enter the total here and on Form 301, Part 1, line 25, column (a).

Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI - enter the total here and on Form 300, Part 1, line 18, column (a).

Line 25 -

Enter the available credit carryover from prior years from Part 4, line 23, column (d).

Individuals - enter the total here and on Form 301, Part 1, line 25, column (b).

Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI - enter the total here and on Form 300, Part 1, line 18, column (b).

Line 26 -

Add line 24 and line 25. This is the total available renewable energy production tax credit that may be applied to the current year's tax liability.

Individuals - enter the total here and on Form 301, Part 1, line 25, column (c).

Corporations (including S corporations that elected to claim the credit at the corporate level), and exempt organizations with UBTI - enter the total here and on Form 300, Part 1, line 18, column (c).