

**CONTACTS FOR CREDIT FOR RENEWABLE ENERGY INVESTMENT AND PRODUCTION FOR SELF-CONSUMPTION BY MANUFACTURERS**

**Arizona Department of Revenue**

• Tax forms and instructions • Information and assistance

Website: [www.azdor.gov](http://www.azdor.gov)

Taxpayer assistance (602) 255-3381

From area codes 520 and 928, toll-free (800) 352-4090

**General Instructions**

Arizona Revised Statutes (A.R.S.) §§ 43-1083.04 and 43-1164.05 provide nonrefundable individual and corporate income tax credits for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for manufacturing. The credit authorized is \$1 million per year for five years for each renewable energy facility. The maximum credit allowed per taxpayer per year is \$5 million. The initial credit for each facility is claimed in the year that the facility becomes operational. To qualify as a separate renewable energy facility, a facility must be located at least one mile from any other renewable energy facility for which the taxpayer is claiming a credit.

In order to claim the credit, the taxpayer must apply to the Arizona Department of Revenue for certification of the credit for each facility. The department reviews and pre-approves the taxpayer for a specified amount of credit on a first come, first served basis. The department may not authorize tax credits under the A.R.S. §§ 43-1083.04 and 43-1164.05 that exceed in the aggregate a total of \$10 million for any calendar year.

The Taxpayer must submit a request for final certification to the department within 30 days after each of the renewable energy facilities for which an authorization was given becomes operational. See the program guidelines at [www.azdor.gov](http://www.azdor.gov) under the "Tax Credits" section.

To be eligible for the credit, the taxpayer must meet all of the following requirements:

1. The taxpayer must invest at least \$300 million in new renewable energy facilities in Arizona that produce energy for self-consumption using renewable energy resources. The minimum investment must be completed within a three-year period beginning on the date the initial application is received or December 31, 2017, whichever is earlier.
2. At least 90% of the energy produced at each renewable energy facility is used for self-consumption in Arizona. Self-consumption includes the power used by related entities if the related entities are owned directly or indirectly by the same ownership interests that collectively own more than 50%. A facility that transfers the power it generates to a utility qualifies if at least 90% of the power is transferred back for self-consumption in Arizona.
3. The power is used primarily for manufacturing. A lessor of a manufacturing facility that is using power for self-

consumption would qualify this requirement if the lessee is a manufacturer and the power is transferred as part of the lease to the lessee.

If the taxpayer fails to make the required \$300 million investment within the required time period, the taxpayer must cease claiming any credits and recapture any credits already claimed for all facilities. The recapture must be made on the taxpayer's income tax return for the tax year in which it was first known that the required investment would not be made within the required time.

If a particular facility ceases to meet the requirements or if the facility is sold, the taxpayer may not generate and claim any future credits related to that facility. However, taxpayers may be allowed to claim the credit carryovers that were properly established for that facility.

Co-owners of a business, including partners in a partnership, members of a limited liability company, 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.

If the current taxable year's credit exceeds the taxpayer's tax liability for the taxable year, the taxpayer may carry forward the unused credit to the next five consecutive taxable years. No credit, other than carryovers generated properly, may be claimed for any taxable year beginning after December 31, 2025.

**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 and all supporting documentation 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. Taxpayers that fail to include their taxpayer identification number may be subject to a penalty.

**Part 1 – Qualification for and Current Taxable Year's Credit**

**Credit You Established in Current Year**

**Lines 1 -**

If you received any certificate(s) directly from the department, check the "Yes" box. Otherwise, check the "No" box and skip line 2 and line 3.

**Lines 2 and 3 -**

If you checked the "Yes" box on line 1, enter the aggregate amount of credit on line 2 and also the facility code(s) for calendar year 2014 on your certificates received from the department on line 3. 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(s) with the return.

**Pass-through Credit You Received in Current Year****Line 4 -**

If an entity from which you are claiming a pass-through tax credit received a Certificate from the department, check the "Yes" box. Otherwise, check the "No" box, and skip lines 5, 6 and 7.

**Line 5 -**

If you checked the "Yes" box on line 4, enter the name of the pass-through entity that received the certificate(s) from the department and its taxpayer identification number on line 5.

**Lines 6 and 7 -**

If you checked the "Yes" box on line 4, enter your share of the aggregate amount of credit for taxable year 2014 and the facility code(s) on the certificate(s) provided by the pass-through entity.

**Total Credit****Line 8 -**

Enter the total of line 2 and line 6. This is your current taxable year's total tax credit for renewable energy investment and production for self-consumption by manufacturers. This amount cannot exceed \$5 million.

**NOTE:** *The maximum credit allowed per taxpayer per taxable year is \$5 million.*

**Part 2 – Credit Recapture**

**NOTE:** *You should not have any credit recapture for tax year 2014. Do not complete Part 2 for tax year 2014.*

**Line 9 -**

List the facility code(s) on the certification(s) that you directly received from the department and was/were terminated or revoked in current year.

**Line 10 -**

Enter the full amount of credits that you established and used on prior returns or the full amount of credits that you established and passed through to S corporation shareholders or partners of a partnership.

**Part 3 - S Corporation Credit Election and Shareholder's Share of Credit****Line 11 - S Corporation Credit Election**

S corporations must complete line 11. 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 12 through 17 and complete Parts 5, 6, and 7.

**Lines 12 through 17 -**

If an S corporation elects to pass the credit through to its shareholders, after it completes Part 1 and Part 2 (if Part 2 is applicable), it must also complete Part 3, line 12 through 17 separately for each shareholder. The S corporation must furnish each shareholder with a copy of the certificate(s) and Form 351. Each shareholder would then complete Parts 5, 6, and 7.

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.

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

**Part 4 - Partner's Share of Credit****Lines 18 through 23 -**

Partnerships must first complete Form 351, Part 1 and Part 2 (if Part 2 is applicable). Partnerships must then complete Part 4, lines 18 through 23, separately for each partner, and furnish each partner with a copy of the certificate(s) and Form 351. Each partner would then complete Parts 5, 6, and 7.

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.

**NOTE:** *Taxpayers who are partners or shareholders in multiple entities receiving tax credit for renewable energy investment and production for self-consumption by manufacturers must complete a schedule detailing the amount of the credit passed through from each partnership or S corporation, and include the schedule to their tax returns.*

**Part 5 - Credit Recapture Summary**

**NOTE:** *No recapture of the credit for renewable energy investment and production for self-consumption by manufacturers is required for tax year 2014. Do not complete Part 5 for tax year 2014.*

Part 5 summarizes your total credit recapture, which includes:

1. the recapture of the credit that you established and used on prior returns, and also
2. the recapture of the pass-through credit that you received and used on prior returns.

Complete Part 5 as instructed on the form.

**Part 6 – Available Credit Carryover**

**NOTE:** *You should not have any credit carryover in tax year 2014. Do not complete Part 6 for tax year 2014.*

Use Part 6 to figure your total available credit carryover from prior taxable years. Complete lines 26 through 31, columns (a) through (e), if you claimed the credit on a prior year's return and the credit exceeded your tax liability.

Enter the credit originally computed for that taxable year on line 26. Enter the amount of the credit from that taxable year which you have already used on line 27. Subtract the amount on line 27 from the amount on line 26 and enter the difference on line 28. Enter the credit carryover that you no longer qualify for on line 29. Subtract the amount on line 29 from the amount on line 28 and enter the difference on line 30. Add line 30, columns (a) through (e) and enter the total on line 31. Line 31 is the total credit carryover available for the current taxable year.

**Part 7 – Total Available Credit****Line 32 -**

Line 32 is your total current year's credit. It is the sum of the current year's credit that you established and also the pass-through credit you received in current year.

*Individuals, corporations (including S corporations that elected to claim the credit), and exempt organizations with UBTI* - enter the amount from Part 1, line 8. This is the credit you established in current year.

*S corporation shareholders* - enter the amount on Part 3, line 14.

*Partners of a partnership* - enter the amount on Part 4, line 20.

**Line 33 -**

Enter the amount from Part 6, line 31. This is the total available credit carryover for renewable energy investment and production for self-consumption by manufacturers.

**Line 34 -**

Add line 32 and line 33 and enter the total on line 34. This is the total available credit that may be applied to the current year's tax liability. The maximum credit allowed per taxpayer per year is \$5 million.

Also enter the amount on line 34 as instructed below:

*Individuals* - enter the total here on Form 301, Part 1, line 30, column (a).

*Corporations, exempt organizations with UBTI, and S corporations* - enter the total here on Form 300, Part 1, line 23, column (a).

**NOTE:** *The maximum credit allowed per taxpayer per taxable year is \$5 million.*