

**2017 Credit for Renewable Energy Industry**

**CONTACTS FOR RENEWABLE ENERGY  
INDUSTRY TAX INCENTIVES PROGRAM**

**Arizona Commerce Authority**

•Application forms •Program guidelines

Website: [www.azcommerce.com](http://www.azcommerce.com)

Program Manager (602) 845-1200

**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**

This credit provides refundable individual and corporate income tax credits for expanding or locating qualified renewable energy operations in this state. "Renewable energy operations" are limited to manufacturers of, and headquarters for, systems and components that are used or useful in manufacturing renewable energy equipment for the generation, storage, testing and research and development, transmission or distribution of electricity from renewable resources, including specialized crates necessary to package the renewable energy equipment manufactured at the facility. The credit is effective for taxable years beginning from and after December 31, 2009 through December 31, 2019.

The credit is up to 10 percent of the taxpayer's total capital investment in Arizona. The credit is apportioned and claimed in five equal annual installments in each of five consecutive taxable years.

The credit for renewable energy industry is in lieu of the following credits, with respect to the same employment positions:

- The credit for New Employment, claimed on Arizona Form 345; and
- The Military Reuse Zone credit, claimed on Arizona Form 306.

To claim the credit for renewable energy industry, a renewable energy business must apply for and receive pre-approval from the Arizona Commerce Authority (Commerce). Commerce cannot preapprove income tax credits for any one taxpayer in excess of \$30 million in any calendar year. Commerce cannot pre-approve income tax credits in excess of \$70 million annually between this credit (for Renewable Energy Industry), and the credit for Qualified Facilities claimed on Arizona Form 349.

Once pre-approval is received, the renewable energy business must incur at least \$250,000 in qualifying investment within 12 months of pre-approval.

The tax year of pre-approval determines the "allocation year." The allocation year is the calendar year to which the credit was applied to the annual credit cap.

The renewable energy business must enter into a managed review with Commerce prior to applying for post-approval.

The renewable energy business must obtain post-approval from Commerce prior to claiming the credit. The first fifth of the apportioned credit is claimed on the tax return that includes the post-approval date.

For example, Company A, a renewable energy business, is a calendar year filer. Company A received pre-approval from Commerce for renewable energy operations on March 10, 2016, and received its post-approval on March 16, 2017. Because Company A completed everything necessary to earn the credit in calendar year 2017, the first fifth of the credit must be claimed on the tax return for calendar year 2017.

**NOTE:** Each fifth of the credit for Renewable Energy Industry must be claimed on a timely filed original income tax return, including extensions. The credit may not be claimed on an amended return. **Failing to claim the apportioned credit on a timely filed return will result in loss of the apportioned credit for that taxable year.**

The amount of the credit for renewable energy industry a taxpayer may claim can never exceed the amount that is on the post-approval from Commerce.

**NOTE:** The renewable energy business must submit a copy of the Certification of Qualification (Certification) from Commerce with Form 342 when claiming the credit.

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 apportioned credit based on ownership interest. The total of the apportioned credits allowed to 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.

**Credit Recapture**

During the pre-approval process with Commerce, the taxpayer must consent to adjustment or recapture of the income tax credit in the case of noncompliance with Arizona Revised Statutes (A.R.S.) § 41-1511.

If, within five taxable years after first receiving the credit for renewable energy industry, the Certification is rescinded by Commerce, the taxpayer is disqualified from the apportioned credits for subsequent taxable years and may be subject to recapture.

On a determination that the taxpayer has committed fraud or relocated outside of this state within five taxable years of first receiving a credit, all credits previously allowed are subject to recapture.

The recapture of the credit is computed by increasing the amount of taxes imposed in the year following the year of termination or revocation by the full amount of all credits previously allowed.

## Specific Instructions

Complete the name and taxpayer identification number (TIN) 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 TIN. The TIN for a corporation, an exempt organization with UBTI, an S corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service individual TIN. A taxpayer that fails to include its TIN may be subject to a penalty.

### Part 1 - Listing of Post-Approved Renewable Energy Operations and Apportioned Credit Amount

List the renewable energy operations that Commerce has post-approved and that have apportioned credit amounts eligible to be claimed on the current year's tax return. The first one-fifth of the credit(s) for the renewable energy industry must be claimed on the timely-filed tax return (including extensions) that includes the post-approval date.

#### Lines 1 and 2 –

Complete lines 1 and 2 by entering the following information in the column indicated:

- (a) Enter the allocation year in column (a). This is the calendar year to which the credit was applied to the annual credit cap. It is indicated on the post-approval document received from Commerce.
- (b) Enter the post-approval date indicated on the post-approval document received from Commerce in column (b).
- (c) Enter the post-approval number indicated on the post-approval document received from Commerce in column (c).
- (d) Enter the apportioned credit amount indicated on the post-approval document received from Commerce in column (d).

#### Line 3 –

If you are claiming this credit for more than two renewable energy operations, include a schedule providing the information requested on lines 1 and 2. Enter the total additional apportioned credit(s) from all included schedules.

#### Line 4 –

Enter the total amount of credit passed through from partnerships on Form(s) 342-P, line 3(c). If you received a pass through of this credit from more than one partnership, include a schedule indicating the amount of credit passed through from each partnership.

#### Line 5 –

Enter the total amount of credit passed through from S corporations on Form(s) 342-S, line 3(c). If you received a pass through of this credit from more than one S corporation, include a schedule indicating the amount of credit passed through from each S corporation.

#### Line 6 –

Add lines 1 through 5. Enter the total. This is the current taxable year's Credit for Renewable Energy.

### Part 2 - Credit Recapture

#### Line 7 -

Enter the date on which the Certification of the renewable energy business was terminated or revoked.

#### Line 8 –

Enter the total amount of the credit from taxpayer operations that was revoked.

#### Line 9 –

Enter the partner's portion of this credit to be recaptured from Form 342-P, Part 2, line 7.

#### Line 10 –

Enter the S corporation shareholder's portion of this credit to be recaptured from Form 342-S, Part 2, line 7.

#### Line 11 –

Add lines 8 through 10. Enter the total. This is the total amount of the credit that was revoked for this taxable year.

### Part 3 - Partnerships

A partnership claiming this credit *must* pass it through to its partners. Skip to the instructions for completing Form 342-P on page 4.

- Complete Form 342-P for each partner.
- Provide a completed copy of Form 342-P to each partner.
- Provide a copy of the Certificate of Renewable Energy Production Tax Credit received from Commerce to each partner.
- Include a copy of each completed Form 342-P with your tax return.
- Keep a copy of each completed Form 342-P for your records.
- Do not complete the remainder of this form.

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

**NOTE:** *Trusts and estates which are partners in a partnership are not eligible to claim this credit. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.*

### Part 4 - S Corporation Credit Election and Shareholder's Share of Credit and Credit Recapture

#### Lines 12, 12a, & 12b – S Corporation Credit Election

The S corporation must complete line 12 and line 12a or 12b. The S corporation must make an irrevocable election

either to claim the current taxable year credit at the corporate level or to pass the current year credit through to its shareholders. The S corporation election is made by:

- Entering the date the S corporation taxable year ends in the box provided on line 12.
- Checking the box on line 12a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 12b electing to pass the current taxable year credit through to its shareholders.
- Having an officer of the S corporation who is also a signatory to Arizona Form 120S sign the election statement.

If the S corporation elected to claim the credit at the corporate level, continue to Part 5.

If the S corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 342-S on page 5.

If passing this credit through to the shareholders:

- Complete Form 342-S for each shareholder.
- Provide a copy of completed Form 342-S to each shareholder.
- Provide a copy of the Certificate of Renewable Energy Production Tax Credit received from Commerce to each partner.
- Include a copy of each completed Form 342-S with your tax return.
- Keep a copy of each completed Form 342-S for your records.

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:** *Trusts and estates which are shareholders of an S corporation are not eligible to claim these credits. However, the share of an S corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.*

## Part 5 - Credit Recapture Summary

### Line 13 –

Enter the taxable year(s) in which you took a credit for a business as a renewable energy industry whose Certification has been terminated or revoked.

### Line 14 –

Enter the total amount of the credit originally claimed on prior returns from Part 2, line 11.

- *Individuals* – Also, enter this amount on Form 301, Part 2, line 37.
- *C corporations, S corporations that elected to claim this credit at the corporate level, and exempt organizations with UBTI* – Also, enter this amount on Form 300, Part 2, line 28.

## Part 6 - Total Apportioned Credit Claimed This Taxable Year

### Line 15 -

Enter the current year's apportioned credit for renewable energy industry.

*Individuals, corporations, 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.

*Partnerships* - Enter "0".

*S corporations that passed the current year credit through to shareholders* – Enter "0".

Also, enter this amount and check the box for Form 342 on your tax return.

*Individuals* - enter the amount on Arizona Form 140, line 57; or Arizona Form 140NR, line 64; or Arizona Form 140PY, line 68; or Arizona Form 140X, line 43.

*C corporations* - enter the amount on Arizona Form 120, line 22; or Form 120A, line 14; or Form 120X, line 22c.

*S corporations that claimed the credit at the corporate level* - enter the amount on Arizona Form 120S, line 18.

*Exempt organizations with UBTI* - enter the amount on Arizona Form 99T, line 12.

## Form 342-P, Partner's Portion of the Credit

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 342-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 342-P, including additional schedules as needed.

**NOTE:** *Form 342-P can be used to distribute the partnership's share of this credit to its partners, or it can be used to notify the partners of the amount of the credit to be recaptured.*

### Part 1 - Distribution of the Credit

**To distribute the credit to the partners of the partnership (complete lines 1 through 3):**

#### Line 1

- a) Enter the partnership name.
- b) Enter the partnership's EIN.
- c) Enter the post-approval number received from Commerce.

#### Line 2

- a) Enter the partner's name.
- b) Enter the partner's TIN.

#### Line 3

- a) Enter the amount of this credit from Form 342, Part 3, line 6.
- b) Enter the partner's ownership percentage.
- c) Multiply line 3(a) by line 3(b) and enter the result.

**This is the partner's portion of this credit.**

### Part 2 - Notification of Credit Recapture

**To notify the partners of the amount of the credit that must be recaptured (complete lines 4 through 7):**

#### Line 4

- a) Enter the partnership name.
- b) Enter the partnership EIN.

#### Line 5

- a) Enter the partner's name.
- b) Enter the partner's TIN.

#### Line 6

- a) Enter the post-approval number received from Commerce.
- b) Enter the date the certification was terminated or revoked.

#### Line 7

Enter the total amount of the credit(s) previously passed through to the partner for the facility(ies) whose certification was terminated or revoked.

**This is the partner's portion of the credit to be recaptured.**

## Form 342-S, S Corporation Shareholder's Portion of the Credit

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 342-S for each shareholder of the S corporation, *except for* trust or estate shareholders. However, an S corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S corporation must furnish each shareholder with a completed copy of Form 342-S, including additional schedules as needed.

**NOTE:** *Form 342-S can be used to distribute the S corporation's share of this credit to its shareholders, or it can be used to notify the shareholders of the amount of the credit to be recaptured.*

### Part 1 - Distribution of the Credit

**To distribute the credit to the S corporation shareholders (complete lines 1 through 3):**

#### Line 1

- a) Enter the S corporation name.
- b) Enter the S corporation's EIN.
- c) Enter the post-approval number received from Commerce.

#### Line 2

- a) Enter the shareholder's name.
- b) Enter the shareholder's TIN.

#### Line 3

- a) Enter the amount of this credit from Form 342, Part 3, line 6.
- b) Enter the shareholder's ownership percentage.
- c) Multiply line 3(a) by line 3(b) and enter the result.

**This is the shareholder's portion of this credit.**

### Part 2 - Notification of Credit Recapture

**To notify the shareholders of the amount of the credit that must be recaptured (complete lines 4 through 7):**

#### Line 4

- a) Enter the S corporation name.
- b) Enter the S corporation EIN.

#### Line 5

- a) Enter the shareholder's name.
- b) Enter the shareholder's TIN.

#### Line 6

- a) Enter the post-approval number received from Commerce.
- b) Enter the date the certification was terminated or revoked.

#### Line 7

Enter the total amount of the credit(s) previously passed through to the shareholder for the facility(ies) whose certification was terminated or revoked.

**This is the shareholder's portion of the credit to be recaptured.**