

2024 Credit for Solar Energy Devices

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 select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Procedures* or *Rulings* from the drop-down menu. Using the Category box, select the tax type and then scroll down to find the *Document ID* or use the *Search Keyword* function to locate the document.

Publications

To view or print the department's publications, go to our website select the *About* tab on the home page and select *Legal Research* from the drop-down menu and then click on *Publications* from the drop-down menu.

General Instructions

NOTE: You *must* also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 310 with your tax return to claim this credit.

Arizona law provides a solar energy credit for an individual who installs a solar energy device in his or her residence located in Arizona.

The solar energy credit for buying and installing a solar energy device is 25% (.25) of the cost, including installation, or \$1,000, whichever is less. If you install another device in a later year, the cumulative credit cannot exceed \$1,000 for the same residence.

NOTE: A taxpayer may claim a credit of up to \$1,000 for a second personal home. A taxpayer that claims a credit for **both a primary home and a second home is limited to a maximum credit of \$1,000 in the taxable year.** To claim a credit for a second home you must complete a second form and add the two credit form amounts together and report the total amount of current year credit and total available carryover amount on Form 301 to claim on your return.

If the allowable tax credit is more than your tax or if you have no tax, you may carry the unused credit forward for up to the next five consecutive years.

NOTE: The maximum amount of credit established for the current taxable year does **not** include any unused valid carryover amount(s) from prior taxable years. Because this is a nonrefundable tax credit, the total amount of available credit [current year plus any valid carryover amount(s)] that a taxpayer may use for the taxable year cannot be greater than the tax liability shown.

To be eligible for this credit, you must be an Arizona resident who is not a dependent of another taxpayer.

A solar energy device is a system or series of mechanisms which collect and transfer solar generated energy and which are designed primarily to:

- provide heating,
- provide cooling,
- produce electrical power,
- produce mechanical power,
- provide solar daylighting, or
- provide any combination of the above by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce electricity.

Solar energy systems may also have the capability of storing solar energy for future use. Passive systems must clearly be designed as a solar energy device, such as a Trombe wall, and not merely as a part of a normal structure, such as a window.

Only a system or device, which performs one or more of these functions, qualifies for the credit. An individual component of a system does not qualify for the credit by itself.

The following devices, when used for residential purposes, qualify for the credit:

- Solar domestic water heating systems - collectors, storage tanks, heat exchangers, and piping, valves, wiring, etc., directly related to the solar system.
- Solar swimming pool and spa heating systems - collectors, heat exchangers, piping, valves, wiring, etc., directly related to the solar system.
- Solar photovoltaic systems - collectors, batteries, inverters, solar system related wiring, and including solar photovoltaic systems for recreational vehicles used as a residence. End-use appliances (even if they are 12 vdc) are excluded unless they are manufactured specifically for photovoltaic systems applications.
- Solar photovoltaic phones, street lighting, etc. - collectors, batteries, inverters, and solar system related wiring. Phone, lights, etc., are excluded unless they are manufactured specifically for photovoltaic applications.
- Passive solar building systems - Trombe wall components, thermal mass, and components specifically designed for energy gains. Dual pane windows, low-e, and other window coatings, etc., are excluded.
- Solar day lighting systems - those devices and systems specifically designed to capture and redirect visible solar energy while controlling the infrared energy (conventional skylights are specifically excluded).
- Wind generators - windmill, structure, generator, batteries, controls, wiring, and other components directly related to the wind generator. End-use appliances are excluded.
- Wind-powered pumps - windmill, structure, pump, pipes, and other components directly related to the wind pump. The person who sells you your solar energy device must

furnish you with a certificate stating that the solar energy device complies with Arizona's solar energy device requirements. If you designed and installed the system yourself, you will not receive such a statement, but your solar energy device must meet the required criteria.

NOTE: *To qualify for this credit, you **must** purchase the solar energy device(s). If you lease or enter into a power purchase agreement (PPA) for the solar energy device, that device does not qualify for this credit.*

For more information on Arizona's solar energy device credit and the Arizona solar energy device requirements, see the department's income tax ruling (ITR) 13-4, *How do leases and power purchase agreements (PPA) impact the residential solar energy device credit?*, and publication, (Pub) 543, *Solar Energy Credit*.

The following items DO NOT qualify for the credit:

- Conventional plumbing components - water softeners, drinking water systems, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional controls - load controllers, programmable thermostats, etc., even if they are provided (free or otherwise) as part of the system.
- Conventional heating/cooling systems - air conditioners, heat pumps, evaporative coolers, furnaces, regardless of efficiency.
- Conventional windows and window treatments - dual-pane, low-e, shade screens, reflective and dark coatings, awnings, interior shades, drapes, and blinds.
- Conventional skylights.
- Appliances (all voltages) - refrigerators, lights, fans, TVs, etc., unless they are manufactured specifically for photovoltaic systems.
- Fans - ceiling, window, attic, interior, etc., unless they are manufactured specifically for photovoltaic applications.
- Paint - ceramic, reflective roof coatings.
- Insulation (includes "outsulation") and radiant barrier.
- Weather stripping, caulking.
- Misting systems.
- Vegetation - shade trees, shrubs, grass.
- Solar energy cars.
- A solar hot water heater plumbing stub out that was installed by the builder of a house or dwelling unit before title was conveyed to the taxpayer.

NOTE: *If you claim a credit, you cannot take a depreciation deduction for the solar energy device for which the credit is claimed. If such depreciation deduction is included in your federal adjusted gross income, you must add that amount to your Arizona gross income. You must make this addition for each period in which you deduct depreciation for federal purposes.*

Line-by-Line Instructions

Enter your name and Social Security Number (SSN) as shown on Arizona Forms 140, 140PY, or 140X.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's SSN or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN). Taxpayers that fail to include their identification number may be subject to a penalty.

NOTE: *Complete Parts 1 and 3, if you are claiming a new credit for the current tax year.*

*If you are **only** claiming a carryover amount available from a previous credit, complete Part 1 (**address only**) and Parts 2 and 3.*

Part 1 - Current Year's Credit

Use lines 1 through 9 to figure your credit for the current tax year.

Line 1

Enter the address of the residence where you installed the solar energy device for which you are claiming the credit.

Line 2

Enter the cost of the solar energy device. The cost of installing the device may be included in the cost of the device.

Lines 3 and 4

Follow the instructions on the form for lines 3 and 4.

Line 5

If you claimed a credit for another solar energy device you installed during a prior taxable year (1995 through 2022), at the same residence listed on line 1, enter the total amount of allowable credit for that prior tax year or years.

Lines 6 through 8

Follow the instructions on the form for lines 6 through 8.

Line 9 - Current Year's Credit

Enter the smaller of line 4 or line 8.

If you are married filing a separate return, but you could have filed a joint return, you may take only one-half of the total credit that you and your spouse would have been allowed to take on a joint return. In this case, enter one-half of the smaller of line 4 or line 8.

Part 2 - Carryover from Prior Taxable Years

Lines 10 through 15 Use Part 2 to figure your total available credit carryover from taxable years 2019 through 2023.

NOTE: *If you claimed a credit for your primary residence and a second residence, you must track each carryover amount separately on the original credit form filed for each location. Do not combine the two credit carryover amounts on one credit form. Be sure to add both carryover amounts together from each credit form and report the total on Arizona Form 301.*

Complete lines 10 through 15 if you claimed this credit on a return for one of these years and the credit was more than your tax.

- In column (b), **enter the credit originally** computed for the taxable year listed in column (a). Do not enter the cost of the device. The amount entered in column (b) cannot be more than \$1,000.
- In column (c), enter the amount of the credit from that taxable year which you have already used.
- In column (d), subtract the amount in column (c) from the amount in column (b) and enter the difference.
- Add the amounts entered on lines 10 through 14 in column (d).

Enter the total on line 15, column (d).

Part 3 - Total Available Credit

Lines 16 through 18

Use lines 16 through 18 to figure your total available credit for 2024.

Line 16

Enter the amount from Part 1, line 9. Also, enter this amount on Form 301, line 3, column (a).

Line 17

Enter the amount of available carryover from Part 2, line 15, column (d). Also, enter this amount on Form 301, line 3, column (b).

Line 18 - Total Available Credit

Add line 16 and line 17. Enter the total. Also, enter this amount on Form 301, line 3, column (c).