

**CONTACTS FOR COMMERCIAL AND INDUSTRIAL
SOLAR ENERGY TAX CREDIT PROGRAM**

Arizona Commerce Authority (ACA)

•Application forms •Program guidelines

Website: www.azcommerce.com

Program Manager: (602) 845-1200

Arizona Department of Revenue

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 *Reports and Legal Research* then click on *Legal Research* and select a *document* and *category* type from the drop down menus.

Publications

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

General Instructions

Individuals: *You must also complete Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture, and include Forms 301 and 336 with your tax return to claim this credit.*

Corporate taxpayers including exempt organizations with unrelated business taxable income: *You must also complete Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture, and include Forms 300 and 336 with your tax return to claim this credit.*

If you are transferring the credit for an installed solar device to a third party, you must also complete a separate Form 336-T for each third party receiving a transferred credit.

Partnerships passing the credit through to its partners must also complete and include a separate **Form 336-P** for each partner receiving a pass-through credit.

S corporations passing the credit through to its shareholders must also complete and include a separate **Form 336-S** for each shareholder receiving a pass-through credit.

For taxable years beginning on or after January 1, 2006 through December 31, 2018, Arizona law provides a solar energy credit for a taxpayer that installs one or more solar energy devices for commercial, industrial, or any other nonresidential application in the taxpayer's facility located in Arizona.

The solar energy credit is 10% (.10) of the cost of the installed device. The credit cannot exceed \$25,000 with respect to the same building in the same tax year, or \$50,000 in total credits in any given tax year.

If the allowable tax credit is more than the tax, the taxpayer may carry the unused credit forward for up to the next five consecutive tax years.

Who May Claim This Credit

This credit is available to individuals, C corporations and S corporations.

This credit is also 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.

Transfer Credit

The taxpayer, including a tax exempt organization that would otherwise qualify for the credit, may elect to transfer the credit to the third party that financed, installed, or manufactured the solar energy device. To make this election all taxpayers, including a tax exempt organization that elects to transfer the credit to a third party, must complete Arizona Form 336 and Form 336-T, *Credit for Solar Energy Device – Commercial and Industrial Applications Transferred from Taxpayer to Third Party*, for each third party receiving a transferred credit.

Form 336-T is available on the department's website. The instructions to complete this form are on page 5 of these instructions.

Pass-through Credit

A partnership may pass the credit through to its partners. The partnership must complete Form 336, as instructed, and a separate Form 336-P for each partner to pass through the credit. An S corporation may pass the credit through to its shareholders. The S corporation must complete Form 336, as instructed, and a separate Form 336-S for each shareholder to pass through the credit.

If the credit is passed-through, the partners and shareholders may each claim a *pro rata* share of the credit allowed based on the ownership interest or financial investment in the system. The total of the credits allowed all such owners may not exceed the amount that would have allowed a sole owner.

Forms 336-P and 336-S are available on the department's website. The instructions to complete each of these forms begin on page 6 of these instructions.

Tax Exempt Organizations

A tax exempt organization, filing only Form 99, and transferring this credit to a third party must complete Parts 1, 2, and 3 of Form 336. The tax exempt organization must furnish each taxpayer, to whom it transfers a credit, a completed copy of Form 336-T.

The exempt organization must mail a copy of each completed form to:

Office of Economic Research and Analysis
Arizona Department of Revenue
PO Box 29099
Phoenix, AZ 85038-9099

NOTE: *An exempt organization must mail a copy of each completed form to the above address regardless of whether the organization is required to file Arizona Form 99.*

A tax exempt organization with UBTI, and filing Arizona Form 99T, should do the following:

- Whether or not the credit is claimed by the exempt organization with UBTI, or is transferred by the exempt organization with UBTI to a third party, include a completed Form 336 and Form 336-T with the Form 99T, when filed. If transferring the credit, also include a copy of completed Form 336-T for each third party
- Mail a copy of the completed Form 336 to:
Office of Economic Research and Analysis
Arizona Department of Revenue
PO Box 29099
Phoenix, AZ 85038-9099

Credit Eligibility

To be eligible for this credit, the Arizona Commerce Authority (ACA) must have issued the taxpayer a Credit Certificate that includes an identifying number. To obtain a Credit Certificate, the taxpayer must follow the procedures outlined by the ACA. These procedures include the requirement that the taxpayer file an application with the ACA so that the ACA can determine whether the project meets the criteria for the purpose of this tax credit. Once the ACA determines that the project meets the criteria, the ACA will issue an initial certification of the project. To receive a Credit Certificate, the taxpayer must provide additional information to the ACA once the installation is complete. For more information on how to make an application for this credit with the ACA, visit www.azcommerce.com.

NOTE: *A taxpayer cannot claim this credit without a Credit Certificate issued from the ACA. A taxpayer who is transferring or passing through a credit must provide the Credit Certificate Number on each applicable form, 336-T, 336-P, or 336-S.*

Solar Energy Devices

For the purpose of this credit, a solar energy device means a system or series of mechanisms designed primarily to:

- provide heating,
- provide cooling,
- produce electrical power,
- produce mechanical power,

- provide solar day lighting, or
- provide any combination of the foregoing 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 shall 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.

The person who sells or installs the solar energy device must furnish the taxpayer with an accounting of the cost.

Line-by-Line Instructions

Enter the names and taxpayer identification numbers (TIN) as shown on Arizona Forms 99, 99T, 140, 140NR, 140PY, 140X, 120, 120A, 120S, 120X, or 165.

If the taxpayer is an exempt organization that is not required to file Arizona Form 99, enter the organization's name and employer identification number (EIN).

Fiscal year basis taxpayers must indicate the period covered by the taxable year. Include the completed form with the tax return. Exempt organizations must file this form as noted under the heading titled "Tax Exempt Organizations."

All returns, statements, and other documents filed with the Department of Revenue (Department) require a taxpayer identification number (TIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service (IRS) individual taxpayer identification number (ITIN), or for a business, the EIN.

Paid tax preparers must also include their TIN on forms where requested. Paid preparers who fail to include their TIN may be subject to a penalty.

Missing, incorrect, or unclear identification numbers may cause delays in processing.

Part 1 - Eligibility

Lines 1 and 2 -

Answer questions 1 and 2. If you answer "NO" to either question 1 or question 2, **STOP**, you do not qualify for this credit. In this case, do not complete Form 336.

Part 2 - Credit Computation for Installing Qualifying Devices

Lines 3 through 16 -

Use lines 3 through 16 to figure the credit for installing one or more solar energy devices for commercial, industrial, or nonresidential purposes on your business property located in Arizona.

If you have installed more than one device on the same building during the same taxable year, complete your own separate schedule (continuation sheet) for each device installed on that building. The separate sheet should show the information required on lines 5 through 9 for a single device.

Enter the aggregate amount for all devices installed on the same building in the column designated for that building.

Include your separate continuation sheet(s) and Form 336 with your return.

Exempt organizations must file this form as noted under the heading titled "Tax Exempt Organizations."

If you have installed devices on more than three buildings, complete an additional schedule. The additional schedule should show the same information that is shown on the form for the first three buildings.

Complete lines 3 through 16 as instructed on the form.

Part 3 - Taxpayer's Election to Transfer Credit to Third Party

All taxpayers claiming the credit must complete Part 3. The taxpayer must make an irrevocable election either to claim the credit or to transfer the credit to a third party. The credit may **only** be transferred to a third party that financed, installed or manufactured the solar energy device.

If a taxpayer makes the election to transfer the credit to a third party, the taxpayer must transfer the entire credit allowable for that device to the third party. The taxpayer may not use a portion of the credit and also allow the third party to use a portion of the credit.

However, if the taxpayer has installed more than one device, the taxpayer may claim the credit for one or more devices and transfer the credit for the other device(s) to a third party.

The taxpayer must sign the election statement. If a taxpayer is a corporation, the election must be signed by one of the officers of the corporation who is also a signatory to the Arizona Form 120, Form 120A or Form 120S.

If the taxpayer is a partnership, the election must be signed by a partner who is also a signatory to the Arizona Form 165.

If the taxpayer is a tax exempt organization, the election must be signed by an officer of the organization.

If you have credits for multiple devices that you are transferring to more than one third party, complete a separate Form 336-T, for each third party to which you are transferring a credit.

The taxpayer must furnish each third party with a copy of their completed Form 336-T. The third party will use the information to complete its own Form 336.

Line 17 -

- Enter the taxable year ending date in the space provided.
- Check the applicable box to either:
 - (a) **Not transfer** the credit for any solar energy device listed in Part 2, on line 6; *or*
 - (b) **Transfer** the credit for one or more installed devices listed in Part 2, on line 6.

If the taxpayer installed more than one solar energy device, the taxpayer who elects option (b), must also check the applicable box, to either:

- (i) Transfer the credit for **all** devices installed; *or*
- (ii) Transfer the credit for some of the devices installed.

If you elect option (ii) you must list, in the spaces provided, the ACA Certificate number for each device for which you are transferring a credit.

If box (a) is checked, also complete Parts 4 through 8, as applicable.

If box (b) is checked, and

- You are transferring the credit for **all** solar energy devices listed in Part 2, on line 6:
 - Complete Form 336-T for every qualified third party that you are transferring a credit to for the solar energy device.
 - If you also are claiming a pass-through credit received from a Partnership or S corporation, complete Parts 4, 5, 7, and 8 of Form 336.
 - If you have a carryover amount from a credit claimed in a prior year, also complete Parts 7 and 8 of Form 336.
- You are **not** transferring the credit for **all** solar energy devices listed in Part 2, on line 6:
 - Complete Form 336-T for every qualified third party that you are transferring a credit to for the device.
 - If you are an S corporation, also complete Parts 4 and 6 of Form 336 for the credit that was not transferred.
 - If you are a Partnership, also complete Parts 4 and 5 of Form 336 for the credit that was not transferred.
 - All other taxpayers also complete Parts 4, 7, and 8 of Form 336 for the credit that was not transferred.

Part 4 - Current Year's Credit

Complete lines 18 through 26, to figure the current year's credit.

Line 18 - Credit computed this taxable year

Enter the amount from Part 2, line 16.

Line 19 - Credit you transferred to a third party

Enter the amount from Form 336-T, Part 2, line 7. If you transferred a credit to more than one third party, enter the total amount from Part 2, line 7 from all Forms 336-T. If you did not transfer a credit, enter "0."

Line 20 -

Subtract line 19 from line 18 and enter the difference.

Line 21 - Credit transferred to you as a third party

Enter the amount from Form 336-T, Part 2, line 7. If you received more than one Form 336-T, enter the total amount from Part 2, line 7 from all Forms 336-T. If you did not receive a transfer credit, enter "0."

Line 22 - Credit passed through to you by a Partnership

Enter the amount from Form 336-P, line 6. If you received more than one Form 336-P, add all amounts on line 6 and enter the total.

Line 23 - Credit passed through to you by an S corporation

Enter the amount from Form 336-S, line 6. If you received more than one Form 336-S, add all amounts on line 6 and enter the total.

Line 24 -

Add lines 20 through 23 and enter the total.

Line 25 - Maximum Allowable Credit

The current taxable year credit allowed in any given tax year cannot exceed \$50,000. Line 25 limits the amount of credit allowed to be claimed in the current taxable year to the \$50,000 maximum. *This amount does not include any valid carryover amount claimed from a prior tax year.*

Line 26 - Current year's credit

Enter the smaller of line 24 or 25.

Part 5 - Partner's Share of Credit

Partnerships must complete Form 336, Parts 1 through 4 before completing Part 5 as follows:

1. Complete a separate Form 336-P for each partner. Each partner may claim only a *pro rata* share of the credit based on the partner's ownership interest in the partnership or the amount of the financial investment in the system.
2. The partnership must furnish each partner with a copy of the completed Form 336-P.
3. The partnership must include Form 336 and a copy of each Form 336-P with its tax return

Part 6 - S Corporation Credit Election and Shareholder's Share of Credit

The S corporation must complete Form 336, Parts 1 through 4, before completing Part 6.

Line 27 -

1. Enter the taxable year ending date in the space provided.
2. The S corporation must make an irrevocable election to either claim the non-transferred credit *or* pass the non-transferred credit through to its shareholders.
 - **Check box (a) to claim** the non-transferred credit for solar energy devices, from Part 4, line 26. If box (a) is checked, complete Parts 7 and 8.

- **Check box (b) to pass-through** the non-transferred credit for solar energy devices, from Part 4, line 26. If box (b) is checked:
 - Complete a separate Form 336-S for each shareholder. Furnish each shareholder with a copy of their completed Form 336-S.
 - Complete Parts 7 and 8 of Form 336, only if you have a carryover amount from a credit claimed in a prior year.
 - Include a copy of Form 336 and each Form 336-S with your return.

Each shareholder must complete Parts 4, 7, and 8.

Part 7 - Available Credit Carryover**Lines 28 through 33 -**

Use Part 7, lines 28 through 33, to figure your credit carryover from taxable years 2013 through 2017. Complete lines 28 through 33 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.
- 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 28 through 32 in column (d).

Enter the total on line 33, column (d).

Part 8 - Total Available Credit**Line 34 -**

Individuals, C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Enter the amount from Part 4, line 26.

- Individuals: Also, enter this amount on Arizona Form 301, Part 1, line 19, column (a).
- C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Arizona Form 300, Part 1, line 14, column (a).

Line 35 -

Enter the amount from Part 7, line 33, column (d).

- Individuals: Also, enter this amount on Form 301, Part 1, line 19, column (b).
- C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Form 300, Part 1, line 14, column (b).

Line 36 - Total Available Credit

Add lines 34 and 35. Enter the total.

- Individuals: Also, enter this amount on Form 301, Part 1, line 19, column (c).
- C corporations, S corporations claiming the credit, and exempt organizations with UBTI: Also, enter this amount on Form 300, Part 1, line 14, column (c).

Form 336-T, Credit for Solar Energy Devices – Commercial and Industrial Applications Transferred From Taxpayer to Third Parties

NOTE: Form 336-T is available on the department's website.

Taxpayer Transferring Credit to Third Party (Transferor):

- Complete Form 336-T for each third party to which you are transferring the credit for an installed solar device.
- Provide each third party with a copy of the completed Form 336-T.
- Include a copy of Form 336 and each completed Form 336-T with your tax return.
- Keep a copy of each completed form for your records.

Third Party receiving credit (Transferee)

- Use this form to complete your own Form 336.
- Include a copy of this form with your own Form 336. Include both forms with your tax return.
- Keep a copy of each form for your records.

Instructions for Transferring Credit to a Third Party

Part 1 - Taxpayer (Transferor) and Third Party (Transferee) Information

Line 1 (a) and (b) -

In the spaces provided, enter the name and taxpayer identification number (SSN or EIN) of the taxpayer who is *transferring* the credit to the third party.

Line 2 (a) and (b) -

In the spaces provided, enter the name and taxpayer identification number (SSN or EIN) of the third party *receiving* the transferred credit.

Part 2 - Solar Energy Device Information and Credit

If you have more than three solar energy devices for which you are transferring a credit, complete a continuation sheet and include it with this form.

Line 3 -

You may **only** transfer a credit for a qualifying solar energy device to a third party who either financed, installed, or manufactured the solar energy device. For each solar energy device that you are transferring the credit, check all applicable boxes that applies to the third party receiving the credit.

Line 4 -

Enter the building number (e.g. 1, 2, 3, etc.) from Form 336, Part 2.

Line 5 -

Enter the Arizona Commerce Authority Credit Certificate Number for each device listed.

Line 6 -

Enter the amount of credit transferred to the third party named on line 2(a). *This amount **must** equal the amount entered on Form 336, Part 2, line 11, for that particular device.*

Line 7 - Total Credit Transferred

Add line 6, columns (a), (b), (c), and all amounts from continuation sheets, if applicable.

Enter the total on line 7, in column (d).

Instructions for Third Party Receiving Form 336-T

- Enter the amount from line 7, column (d), on your own Form 336, in Part 4, on line 21.

If you received more than one Form 336-T, add the amounts on line 7, column (d) from each form, and enter the total on in Part 4, on line 21.

NOTE: If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the Taxpayer transferring the credit files its return on a fiscal year basis, claim the transferred credit on your income tax return for the year in which the Taxpayer's fiscal year ends. For example, if the Taxpayer's tax year ends in February 2019, claim this credit on your 2019 tax return.

Form 336-P, Credit for Solar Energy Devices – Commercial and Industrial Applications Distribution to Partners

NOTE: Form 336-P is available on the department's website.

Partnership:

- Complete Form 336-P for each partner in 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 grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each partner.
- Include a copy of each completed Form 336-P with your partnership return.
- Keep a copy of each completed Form 336-P for your records.

Partner:

- Use this form to complete *your own* Form 336.
- Include a copy of this form with your return.
- Keep a copy of this form for your records.

Instructions for Partnerships Passing the Credit to Partners

Part 1 - Partnership and Partner Information

Line 1 (a) and (b) -

In the space provided, enter the name of the partnership and EIN.

Line 2 (a) and (b) -

In the space provided, enter the partner's name, SSN or EIN, and ownership percentage.

Part 2 - Arizona Commerce Authority Credit Certificate Number

Line 3 -

Enter the Arizona Commerce Authority Credit Certificate Number for each device that you are passing through a credit.

If you have more than three devices for which you are passing a credit, include a continuation sheet with the same information as Part 1.

Part 3 - Distribution of Credit

Line 4 -

Enter the partnership's current year's credit from Form 336, Part 4, line 26.

Line 5 -

A partner in a partnership may claim only the *pro rata* share of the allowable credit based on one of the following:

- Ownership interest in the partnership; *or*
- Financial investment in the system.

Enter the percentage used to compute the allowable pass-through credit.

Line 6 -

Multiply line 4 by the percentage on line 5 and enter the result. This is the partner's *pro rata* share of the pass-through credit.

Instructions for Partners receiving Form 336-P

- Enter the amount from Form 336-P, line 6, on *your own* Form 336, in Part 4, on line 22.
If you are claiming a pass-through credit from more than one partnership, add all amounts from Forms 336-P, line 6, and enter the total on Form 336, in Part 4, on 22.
- If the partner is another partnership, it must do the following:
 - Complete its own Form 336, as applicable.
 - Complete a separate Form 336-P for each partner identifying the partner's *pro rata* share of the pass-through credit amount.
- If the partner is an S corporation and the S corporation elects to pass through the credit to its shareholders, it must do the following:
 - Complete its own Form 336, as applicable.
 - Complete a separate Form 336-S for each shareholder identifying the shareholder's *pro rata* share of the pass-through credit amount.
- If the partner is a C corporation, S corporation (electing to claim the credit), or an exempt organization with UBTI, it must complete its own Form 336, as applicable.

NOTE: If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the partnership passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the partnership's fiscal year ends. For example, if the partnership's tax year ends in February 2019, claim this credit on your 2019 tax return.

Form 336-S, Credit for Solar Energy Devices – Commercial and Industrial Applications Distribution to Shareholders

NOTE: Form 336-S is available on the department's website.

S Corporation:

- Complete Form 336-S for each shareholder in 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 grantor. The grantor may claim his or her share of the credit.
- Provide a copy of the completed form to each shareholder.
- Include a copy of each completed Form 336-S with your S corporation return.
- Keep a copy of each completed Form 336-S for your records.

Shareholder:

- Use this form to complete your own Form 336.
- Include this completed form with your return.
- Keep a copy of this form for your records.

Instructions for S corporations Passing the Credit to Shareholders

Part 1 - S corporation and Shareholder Information

Line 1 (a) and (b) -

In the space provided, enter the name of the S corporation and EIN.

Line 2 (a) and (b) -

In the space provided, enter the shareholder's name, SSN or EIN.

Part 2 - Arizona Commerce Authority Credit Certificate Number

Line 3 -

Enter the Arizona Commerce Authority Credit Certificate Number for each device that you are passing through a credit.

If you have more than three devices for which you are passing a credit, include a continuation sheet with the same information as Part 1.

Part 3 - Distribution of Credit

Line 4 -

Enter the S corporation's current year's credit from Form 336, Part 4, line 26.

Line 5 -

A shareholder in a S corporation may claim only the *pro rata* share of the allowable credit based on one of the following:

- Ownership interest in the S corporation; *or*
- Financial investment in the system.

Enter the percentage used to compute the allowable pass-through credit.

Line 6 -

Multiply line 4 by the percentage on line 5 and enter the result. This is the shareholder's *pro rata* share of the pass-through credit.

Instructions for Shareholders Receiving Form 336-S

- Enter the amount from Form 336-S, line 6, on *your own* Form 336, in Part 4, on line 23.
If you are claiming a pass-through credit from more than one S corporation, add all amounts from Forms 336-S, line 6, and enter the total on Form 336, in Part 4, on 23.
- If the S corporation elects to claim the credit, it must complete its own Form 336, as applicable.
- If the S corporation elects to pass through the credit to its shareholders, it must do the following:
 - Complete its own Form 336, as applicable.
 - Complete a separate Form 336-S for each shareholder identifying the shareholder's *pro rata* share of the pass-through credit amount.

NOTE: If you file your income tax return on a calendar year basis (January 1, 2018 – December 31, 2018) but the S corporation passing the credit files its return on a fiscal year basis, claim the pass-through credit on your income tax return for the year in which the S corporation's fiscal year ends. For example, if the S corporation's tax year ends in February 2019, claim this credit on your 2019 tax return.