LOUISIANA
DEPARTMENT *of* REVENUE

Revenue Information Bulletin
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Individual Income and Corporation Income Taxes

Solar Energy Systems Tax Credit

Act No. 428 of the 2013 Regular Session of the Louisiana Legislature made numerous changes to the former Wind or Solar Energy Systems tax credit provided in La. R.S. 47:6030. First, Act No. 428 repealed the tax credit for wind energy systems and created a Solar Energy Systems tax credit for which only two types of systems may qualify: solar electric and solar thermal, or a combination of components thereof. Act No. 428 further repealed the tax credit for installations in a residential rental apartment complex and now provides only for installations at a residence or home, which the Act defines as "a single-family detached dwelling."

Act No. 428 further imposed a number of new requirements and restrictions, including the requirement that all energy systems be purchased and installed by a person who is licensed by the Louisiana State Licensing Board for Contractors. In addition, all system components purchased on or after July 1, 2013 must be compliant with the American Recovery and Reinvestment Act of 2009 (ARRA) and all non-ARRA compliant components purchased before July 1, 2013 must be installed in a system that is placed in service before January 1, 2014. For additional information on the requirements concerning ARRA compliance, *see* R.I.B. 13-013.

Several other restrictions which apply to both leased and purchased systems were imposed by the Act, including a sunset date of January 1, 2018 for the tax credit. Further, the Act limits each residence to one credit for the purchase and installation of a system, including systems for which a credit was claimed prior to July 1, 2013.

In addition to the general restrictions and requirements discussed above, Act No. 428 also provided additional restrictions and requirements that apply only to leased energy systems. Specifically, the Act reduced the amount of credit leased energy systems may qualify for as follows:

- For a system installed before January 1, 2014, the credit shall be equal to fifty percent of the first twenty-five thousand dollars of the cost of purchase of the system.
- For a system installed on or after January 1, 2014, and before January 1, 2018, the tax credit shall be equal to thirty-eight percent of the first twenty-five thousand dollars of the cost of purchase of the system.

The Act further imposed an additional set of restrictions on leased energy systems. For purposes of determining the amount of the credit, eligible costs of the system shall be subject to the following:

- For a system purchased and installed on or after July 1, 2013, and before July 1, 2014, the system shall cost no more than four dollars and fifty cents per watt and provide for no more than six kilowatts of energy.

- For a system purchased and installed on or after July 1, 2014, and before July 1, 2015, the system shall cost no more than three dollars and fifty cents per watt and provide for no more than six kilowatts of energy.
- For a system purchased and installed on or after July 1, 2015, and before January 1, 2018, the system shall cost no more than two dollars per watt and provide for no more than six kilowatts of energy.

As the tax credit for leased energy systems is subject to both sets of restrictions, the amount of the credit will be equal to the lesser of the two amounts. The additional restrictions on leased systems effectively reduce the total credit cost base per system below the “first $25,000”. For leased systems purchased and installed from July 1, 2014 to June 30, 2015 the actual total credit cost base and maximum credit per system are $21,000 and $7,980, respectively (6,000 watts x $3.50/watt = $21,000 x 38% = $7,980). For leased systems purchased and installed from July 1, 2015 to December 31, 2017 the actual total credit cost base and maximum credit per system are $12,000 and $4,560, respectively (6,000 watts x $2.00/watt = $12,000 x 38% = $4,560). The effects of the changes to the tax credit for leased systems are summarized in the table below:

Period	Credit %	Maximum Cost Base	Maximum Credit	Cost Per Watt Limitation
7/1/13 - 12/31/13	50%	25,000	12,500	$4.50 per watt
1/1/14 - 6/30/14	38%	25,000	9,500	$4.50 per watt
7/1/14 - 6/30/15	38%	21,000	7,980	$3.50 per watt
7/1/15 - 12/31/17	38%	12,000	4,560	$2.00 per watt

Although the cost of purchase and installation of a leased system may be within the maximum cost base, the cost per watt limit may exclude some of the cost from the eligible credit base. For example, a five kilowatt system that became eligible on August 1, 2013 that cost $25,000 has a maximum credit base of $22,500 (5,000 watts x $4.50 per watt), and a maximum credit of $11,250 ($22,500 x 50%).

The credit for the purchase and installation of a solar energy system by a taxpayer at his residence shall be claimed by the taxpayer on his Louisiana individual income tax return for the taxable year in which the system is completed and placed in service. If a taxpayer purchases a newly constructed home with a system already installed, the credit shall be claimed on the tax return for the taxable year in which the act of sale occurred.

For leased energy systems, the credits will be claimed using code 74F on Schedule F of Form IT-540 for individuals claiming the credit, on Schedule RC of Form CIFT-620 for corporations claiming the credit and on Line 14B of From IT-541 for trusts and estates filing fiduciary returns claiming the credit.

For purchased energy systems, the credits will be claimed using code 64F on Schedule F of Form IT-540 for individuals claiming the credit, on Schedule RC of Form CIFT-620 for corporations claiming the credit and on Line 14B of From IT-541 for trusts and estates filing fiduciary returns claiming the credit.

The effective date of Act 428 is July 1, 2013.

For questions concerning this matter, please contact the Policy Services Division at (225) 219-2780. For questions concerning a taxpayer's return, please contact the Office Audit Division at (225) 219-2270.

Tim Barfield
Secretary