

PUBLICATION

Spotlight on Louisiana: Harnessing the Wind and Sun Can Reduce Taxes

March 08, 2012

In addition to the federal tax credit, Louisiana offers a credit in connection with the purchase and installation of wind or solar energy systems. The purchased system, if installed on a Louisiana single- or multi-family residence or a residential rental apartment complex, will yield a Louisiana state income tax credit of up to \$12,500 per system. The statutory authority for the credit is Louisiana Revised Statutes 47:6030, effective beginning with the 2008 year.

Benefit of the Credit

The credit is equal to 50 percent of the first \$25,000 of the cost of each wind energy system or solar energy system, including installation and sales and use tax costs, that is purchased and installed on or after January 1, 2008. Each system installed on a given property is eligible for the credit until 100 percent of the property's energy comes from wind or solar energy. The taxpayer may claim the credit with respect to a particular system on the income tax return for the taxable year in which the system is completed and placed into service. In the case of a taxpayer who purchases a newly constructed home or newly constructed residential rental apartment project with such a system, the tax credit is claimed on the return for the taxable year in which the sale takes place.

Like other Louisiana state income tax credits, taxpayers may claim this tax credit on their Louisiana tax returns and offset income tax liability dollar for dollar by the amount of the credits claimed. Any excess of allowable credits over the taxpayer's tax liability will constitute an overpayment and the Louisiana Department of Revenue will make a refund of such overpayment, with interest. If a business entity earns this credit and the entity is taxed on a pass-through basis (e.g. a limited liability company taxed as a partnership), the entity may allocate the credit that it earns to its owners in accordance with their percentage interests.

Requirements

In the case of a "wind energy system," a complete system which is eligible for the credit includes all of the equipment, devices and apparatus necessary for intercepting and converting wind energy into mechanical or electrical energy and transferring this form of energy by a separate apparatus to the point of use or storage. In the case of a "solar energy system," a complete system which is eligible for the credit includes all of the equipment, devices and apparatus necessary for collecting or absorbing sunlight for conversion into electricity or for conversion into heat for the purposes of space heating, space cooling or water heating.

To be eligible for the credit, the system's installation must be performed by the owner of the residence or a contractor duly licensed by and in good standing with the Louisiana Contractors Licensing Board with a classification of Solar Energy Equipment and a certificate of training in the design and installation of solar energy systems from an industry-recognized training entity or a Louisiana technical college. To be eligible for the credit, a complete system must be installed on a residential property located in Louisiana. To be considered a residence, the physical properties of the space must provide the basic elements of a home, including appropriate and customary appliances and facilities, and the occupant must use the facilities as a home with the intent to remain for a period exceeding 30 days.

For a party such as a hired installer, who is not the owner of the residence or residential rental apartment project, to claim a tax credit for a wind or solar energy system on that party's Louisiana income tax return, the party must provide the Louisiana Department of Revenue with a copy of the contract in which the owner of the property has clearly and unambiguously stated that he or she is not entitled to and will not claim the tax credit. Absent such a contract, the owner of the residence or residential rental apartment project is the only taxpayer eligible to claim the credit and the installer will have no right to the credit.

Owners of single units in multi-family residences (such as condominiums) are eligible to earn the credit but must have an undivided interest in the wind or solar energy system at the time it is being installed.

Taxpayers applying for the tax credit on any system(s) must provide proof of purchase to the Louisiana Department of Revenue, including the following details, among others, as applicable: system type, output capacity, location, cost breakdown and the contractor's name and Louisiana license number.

Special Rules and Limitations to Consider

Only one tax credit is available for each system. A taxpayer may not receive any other state tax credit, exemption, exclusion, deduction or any other tax benefit for wind and solar property for which the taxpayer has received a credit under Louisiana Revised Statutes 47:6030. Taxpayers claiming a credit under Louisiana Revised Statutes 47:6030 also may not claim a state depreciation deduction for capitalized system costs.

A taxpayer who claims the tax credit with respect to a property must disclose his use of the tax credit to the purchaser of the property.

With respect to hired installers, if in return for the purchase price or as an inducement to make a purchase, the installer offers a system purchaser marketing rebates or incentives, the system cost eligible for the tax credit must be reduced by the fair market value of the marketing rebate or incentive received. Such marketing rebates or incentives include, but are not limited to, cash rebates, prizes, gift certificates, trips or any other thing of value given by the installer to the customer as an inducement to purchase an eligible wind or solar energy system.

Conclusion

As with other Louisiana industries targeted by tax credits, the solar and wind energy sectors are starting to see increased economic development activity. However, unlike many of the state's other tax incentives, a positive byproduct of this credit is the preservation of the state's natural resources.

This Alert is part of a series of Tax Alerts designed to highlight many of the tax and economic incentives available in Louisiana. For previously issued Alerts included in this series, see our [May 11, 2011](#), [June 30, 2011](#), [September 21, 2011](#) and [October 20, 2011](#) Alerts.

If you have any questions or would like to discuss strategies for earning and maximizing your benefit from the Louisiana Wind or Solar Energy Systems Tax Credit, or any other Louisiana tax issues, please contact this Alert's author, Rob Wollfarth, or any of the attorneys in the Firm's Tax Department.