



Instructions for Form IT-259

Claim for Fuel Cell Electric Generating Equipment Credit

Personal Income Tax



For 2005, this form is not eligible for e-file. If you are attaching this form to your return, you must file on paper.

New for 2005

Beginning on or after July 1, 2005, individuals, partners in a partnership (including members of an LLC that is treated as a partnership for federal income tax purposes), shareholders of S corporations, and beneficiaries of estates and trusts may claim the fuel cell electric generating equipment credit. (Estates or trusts cannot claim their share of the credit directly on the estate's or trust's fiduciary return; see *How to claim the credit* below.)

The credit applies to qualified fuel cell electric generating equipment expenditures made on or after July 1, 2005, and is claimed for the tax year in which the fuel cell electric generating equipment is placed in service. In addition, individuals are no longer required to have the fuel cell electric generating equipment installed at their principal residence to qualify for the credit.

Note: Under prior law, for tax years beginning on or after January 1, 2003, individuals could claim a credit for fuel cell electric generating equipment installed at their principal residence. This credit was previously claimed on Form IT-255, *Claim for Solar and Fuel Cell Electric Generating Equipment Credit*. The new law eliminates the prior credit, effective January 1, 2005, and replaces it with this new credit. However, since the new credit applies to expenditures made on or after July 1, 2005, individuals cannot claim a credit for any fuel cell electric generating equipment expenditures incurred between January 1, 2005, and July 1, 2005.

General information

Tax Law section 606(g-2) allows a credit for the purchase and installation of eligible fuel cell electric generating equipment. The credit is 20% of the *qualified fuel cell electric generating equipment expenditures* made on or after July 1, 2005, for the purchase and installation of fuel cell electric generating equipment. However, the credit cannot exceed \$1,500 for each unit purchased. The equipment must be installed and used in New York State and must be placed in service on or after July 1, 2005.

To qualify for the credit, the rated capacity of the system must be one kilowatt (1,000 watts) or more, but not more than one hundred kilowatts (100,000 watts).

This credit is not refundable. If the amount of credit exceeds your tax for the year, you may carry over the excess to the following five years.

How to claim the credit

File Form IT-259 if you are an individual, partnership, or an estate or trust and you qualify for the credit (or you are an individual claiming a carryover of the credit from a preceding period). In addition, if you are a partner in a partnership (including members of an LLC treated as a partnership

for federal tax purposes), a shareholder of a New York S corporation, or a beneficiary of an estate or trust, file Form IT-259 to claim your share of the credit from your entity.

A partnership must file Form IT-259 with Form IT-204, *Partnership Return*, showing the partnership's total credit for fuel cell electric generating equipment.

An estate or trust must file Form IT-259 with Form IT-205, *Fiduciary Income Tax Return*, showing the estate's or trust's total credit for fuel cell electric generating equipment. However, any credit not distributed to the beneficiaries cannot be claimed on the estate's or trust's fiduciary return.

An S corporation cannot file Form IT-259; it must file **Form CT-259, Claim for Fuel Cell Electric Generating Equipment Credit**. If you are a shareholder of a New York S corporation, obtain your share of the corporation's credit from the corporation and report it on Form IT-259, Schedule C.

Amount of credit

The credit is equal to 20% of your *qualified fuel cell electric generating equipment expenditures* or \$1,500, whichever is less. There is no limit on the number of fuel cell units you may purchase during the year; however, the credit cannot exceed \$1,500 for **each** unit purchased.

Note: In the case of S corporation shareholders, the 20% limitation does not apply.

Definitions

Fuel cell electric generating equipment means an on-site electricity generation system that utilizes proton exchange membrane fuel cells, providing a rated baseload capacity of at least one kilowatt (1,000 watts) but no more than 100 kilowatts (100,000 watts) of electricity operated in accordance with applicable industry standards.

Qualified fuel cell electric generating equipment expenditures means qualified expenditures incurred on or after July 1, 2005, associated with the purchase of fuel cell electric generating equipment which is installed and used in New York State.

Qualified expenditures include expenditures incurred on or after July 1, 2005, for materials, labor costs properly allocated to on-site preparation, assembly and original installation, engineering services, designs and plans directly related to the construction or installation, and utility compliance costs of the fuel cell electric generating equipment.

Expenditures made with nontaxable federal, state, and local grants, and any interest or finance charges, **do not** qualify as qualified fuel cell electric generating equipment expenditures.

Important reminder to file a complete return

You must complete all required schedules and forms that make up your return, and include all pages of those forms and schedules when you file. Attach **only** those forms and schedules that apply to your return, and be sure that you have made all required entries. Returns that are missing required pages or that have pages with missing entries are considered incomplete and cannot be processed, and may subject taxpayers to penalty and interest.

Filing in your tax forms

For complete information on how to fill in New York State scannable income tax forms, see the instructions for:

- resident returns (Forms IT-150 and IT-201),
- nonresident and part-year resident return (Form IT-203),
- partnership return (Form IT-204), or
- fiduciary return (Form IT-205).

Also see the instructions for the above returns for the *Privacy notification* or if you *Need help* in contacting the Tax Department.

Line instructions

Individuals (including sole proprietors) must complete Schedules A, E, and F (if it applies).

Partnerships must complete Schedules A, B, C, and E, whichever apply.

Fiduciaries must complete Schedules A through D, whichever apply.

Partners in a partnership, shareholders of an S corporation, and beneficiaries of an estate or trust must complete Schedules B, C, E, and F (if it applies).

Schedule A - Individuals, including sole proprietors, partnerships, and fiduciaries

Column A – Enter the address where the fuel cell is located.

Column B – Enter the date placed in service for each fuel cell listed in column A.

Column C – Enter the *qualified fuel cell electric generating equipment expenditures* for each fuel cell purchased. Do not include expenditures made with nontaxable federal, state, and local grants, or any interest or finance charges.

Column F – For each fuel cell listed in column A, enter the column D amount or \$1,500, whichever is less. The credit amount cannot exceed \$1,500 for each unit purchased.

If you are claiming a credit for the purchase of more than five fuel cells, complete as many Forms IT-259 (Schedule A only) as necessary. On the first Form IT-259, complete Schedules B through F (as they apply). Include on line 1 of the first Form IT-259 the total of column F from all additional Forms IT-259. Attach the additional Form(s) IT-259 to the back of the first Form IT-259 that has the entry on line 1. Enter on line 2 the total credit computed.

Line 2 — If you are not claiming a credit for fuel cell electric generating equipment purchased and installed in a principal residence shared by you with another taxpayer or taxpayers, enter the line 2 amount on Schedule E, line 7.

If you purchased and installed fuel cell electric generating equipment in a principal residence shared by you with another taxpayer or taxpayers, the amount of credit allowable to each taxpayer is prorated according to the percentage of the total

eligible expenditures contributed by each taxpayer (however, a husband and wife filing a joint return do not have to prorate the credit). The maximum credit cannot exceed \$1,500. Enter only your share of the line 2 amount on Schedule E, line 7.

Schedule B - Partnership, S corporation, and estate or trust information

Enter the appropriate information for each partnership, S corporation, or estate or trust from which you received a share of the credit for the purchase of fuel cell electric generating equipment. If you need more space, attach a separate schedule.

Schedule C - Partner's, shareholder's, or beneficiary's share of credit

Partner, shareholders, or beneficiaries must complete Schedule C.

Enter your share of the credit received from a partnership, New York S corporation, or estate or trust on the appropriate line(s) in Schedule C. You may obtain this information from the partnership, corporation, or estate or trust. If you belong to more than one partnership, New York S corporation, or estate or trust, enter the total of all your shares on the appropriate line.

Estates or trusts: Include on line 5 only your share of the credit from another estate or trust.

Schedule D - Beneficiary's share of credit

An estate or trust must complete Schedule D. However, any credit not distributed to the beneficiaries cannot be claimed on the estate's or trust's fiduciary return.

The total credit is allocated between the estate or trust and its beneficiaries on the same basis as the income of the estate or trust is allocated.

Schedule E - Computation of credit

Complete line 7, 8, or 9 (whichever line or lines apply to you).

The net credit available for carryover to 2005 is that **portion of your** 2004 fuel cell electric generating equipment credit (from Form IT-255) included in the total amount shown on **your** 2004 Form IT-201-ATT, line 46, or Form IT-203-B, line 32, that was not applied to **your** 2004 tax.

Add lines 7, 8, and 9, and enter the total on line 10. Transfer the line 10 amount to the line of the form that you are filing, as noted on line 10.

Schedule F - Application of credit and computation of carryover

You must first complete Form IT-201-ATT, *Other Tax Credits and Taxes*, or Form IT-203-ATT, *Other Tax Credits and Taxes*, before you can complete this schedule. Follow the instructions for Section B of Form IT-201-ATT or Section B of Form IT-203-ATT to determine the amount of credit to enter on line 12.