**Temporary deferral of certain tax credits**

For tax years beginning on or after January 1, 2010, and before January 1, 2013, if the total amount of certain credits that you may use to reduce your tax or have refunded to you is greater than $2 million, the excess over $2 million must be deferred to, and used or refunded in, tax years beginning on or after January 1, 2013. For more information about the credit deferral, see Form IT-500, Income Tax Credit Deferral.

If you are subject to the credit deferral, you must complete all credit forms without regard to the deferral. However, the credit amount that is transferred to your tax return to be applied against your tax due or to be refunded to you may be reduced. Follow the instructions for Form IT-500 to determine the amounts to enter on your tax return.

**General information**

Tax Law section 606(g-1) provides for the solar energy system equipment credit. The credit is allowed for certain solar energy system equipment expenditures. To qualify for the credit, the solar energy system must use solar radiation to produce energy for heating, cooling, hot water, or electricity for residential use. The equipment must be installed and used at your principal residence in New York State. The credit is allowed in the first tax year in which the solar energy system equipment is placed in service at your principal residence.

If the solar energy system equipment produces electricity, you must enter into a net energy metering contract with your electric corporation or comply with the electric corporation’s net energy metering schedule before you can qualify for the credit. The completed solar energy system equipment must also be connected to the electric corporation’s transmission and distribution facility. Other conditions and limitations set by the electric company may also apply. You should contact your electric company for more information before you purchase your equipment.

**Amount of credit**

The credit is equal to 25% of your qualified solar energy system equipment expenditures and is limited to $5,000.

In the case of a cooperative housing corporation or a condominium, a percentage of the qualified solar energy system equipment expenditures may be attributed to each unit within the building. This information should be provided to each tenant-shareholder or condominium owner by the cooperative housing corporation or condominium management association.

In the case of a solar energy system equipment power purchase agreement or lease, no credit is allowed after the 15th year for a power purchase agreement or lease that exceeds 15 years in duration.

If your credit is greater than the amount of tax you owe, the balance will not be refunded to you. However, any credit amount in excess of the tax due can be carried over for a maximum of up to five years.

**Definitions**

*Solar energy system equipment* means an arrangement or combination of components utilizing solar radiation, which, when installed in a residence, produces energy designed to provide heating, cooling, hot water, or electricity. The arrangement or components do not include equipment connected to solar energy system equipment that is a component of part or parts of a nonsolar energy system or which uses any sort of recreational facility or equipment as a storage medium. Solar energy system equipment that generates electricity for use in a residence must conform to the applicable requirements in Public Service Law section 66-j. However, if the solar energy system is installed by a condominium management association or a cooperative housing corporation, the rated capacity of the system cannot exceed fifty kilowatts (50,000 watts).

Principal residence means the home where you and your family live most of the time. A summer or vacation home does not qualify. Your principal residence can be a house, whether owned or rented, a mobile home, cooperative apartment, or condominium. If you move from one principal residence to another principal residence in New York State, a separate credit is allowed for each principal residence. You must have incurred the costs at the time the residence is your principal residence, and you must file separate Forms IT-255 to compute your allowable credit for each principal residence.

**Line instructions**

See the instructions for your tax return for the Privacy notification or if you need help contacting the Tax Department.

**Schedule A – Computation of solar energy system equipment credit**

**Purchase**

Column B – Enter your expenditures for the purchase of solar energy system equipment installed, placed in service, and used at your principal residence in New York State. These expenditures include: materials, labor costs properly allocated to on-site preparation, assembly and original installation, architectural and engineering services, and designs and plans directly related to the construction or installation of the solar energy system equipment. Do not include expenditures made with nontaxable federal, state, and local grants or any interest or other finance charges.

**Power purchase agreement**

Column B – Enter your payments made in 2012 under a written agreement that spans at least ten years for the purchase of power generated by solar energy system equipment not owned by you. The equipment must be installed, placed in service, and used at your principal residence in New York State. Do not include payments made with nontaxable federal, state, and local grants.

Column D – Enter the difference between $5,000 and the total amount related to this power purchase agreement from all previous years’ Form IT-255, line 1.

**Solar energy system equipment lease**

Column B – Enter the total amount of all your payments to be made under a written agreement that spans at least ten years for the lease of solar energy system equipment not owned by you. The equipment must be installed, placed in service, and used at your principal residence located in New York State. Do not include payments made with nontaxable federal, state, and local grants.

Column E – Enter the difference between column C and the total amount related to this lease from all previous years’ Forms IT-255, line 1.
Note: If you are a tenant-shareholder in a cooperative housing corporation or condominium owner, the amount to enter in column B is your share of the expenditures incurred, or payments made, by the cooperative housing corporation or condominium management association. This information should be provided to you by the cooperative housing corporation or condominium management association.

Line 1
Solar energy system equipment purchase – Enter the lesser of column C or $5,000.

Solar energy system equipment power purchase agreement – Enter the lesser of column C or column D.

Solar energy system equipment lease – Enter the lesser of column D or column E.

Note: If you occupied a principal residence 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, or payments made, by each taxpayer. However, a married couple filing a joint return does not prorate the credit.

Enter the total credit on line 1 and see the instructions for line 7.

Schedule B – Application of credit and computation of carryover

Line 4
Form IT-201 filers: Enter the tax from Form IT-201, line 39, plus any amount from Form IT-201-ATT, line 21.

Form IT-203 filers: Enter the tax from Form IT-203, line 46, plus any amount from Form IT-203-ATT, line 20.

Line 5 – If you are applying any credits against the tax before this credit, enter those amounts here.

When applying credits, use the following rules:
• First apply any household credit.
• Next apply any credits that cannot be carried over or refunded.
• Then apply any credits that can be carried over for a limited duration.
• Then apply any credits that can be carried over for an unlimited duration.
• Apply refundable credits last.

Line 7 – If your total credits from all sources are $2 million or less, enter the amount from line 7 on Form IT-201-ATT, line 5, or Form IT-203-ATT, line 6.

If your total credits from all sources are more than $2 million, you may be subject to a credit deferral. See Form IT-500, Income Tax Credit Deferral, to determine the proper amount of line 7 to enter on your tax return.

Special rule if you occupied your principal residence with another taxpayer or taxpayers. Use only your share of the line 3 amount when comparing line 3 to line 6. Also submit a statement showing the name of each taxpayer occupying the residence and claiming the credit, and the total expenditures contributed by each.

Example: You and your father occupy the same residence. You each pay one-half of the cost of the solar energy system equipment. You must claim one-half of the total credit on your New York State return and your father would claim the other half of the credit on his New York State return. You must each file Form IT-255 showing the computation of the total credit and submit the statement described above.