Department of Taxation and Finance

Instructions for Form IT-255

Claim for Solar Energy System Equipment Credit

IT-255-I

General information

Tax Law § 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.

All solar energy system equipment connected to a single net meter is considered part of the same solar energy system for purposes of the credit.

If the solar energy system equipment produces electricity, before you can qualify for the credit, you **must**:

- enter a net energy metering contract with your electric corporation, **or**
- comply with the electric corporation's net energy metering schedule

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.

For additional information, see Tax Bulletins, *Amendments to the Solar Energy System Equipment Credit* [TSB-M-12(10)I], and *Supplemental Summary of Personal Income Tax Legislative Changes Enacted in 2012* [TSB-M-13(1)I].

Amount of credit

The credit is equal to 25% (0.25) 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.

You **cannot** request a refund for any unused portion of this credit; however, you may carry it forward for up to five years. After five years, any remaining credit expires.

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 § 66-j. However, if the solar energy system is purchased and 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 submit separate Forms IT-255 to calculate your allowable credit for each principal residence.

Line instructions

Schedule A: Calculation 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 during the tax year under a written agreement that spans at least 10 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.

Lease

Column B: Enter the total amount of all your payments to be made under a written agreement that spans at least 10 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 D: Enter the total amount of lease payments paid in the current tax year.

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, in column B enter your

share of the expenditures incurred, or payments made, by the cooperative housing corporation or condominium management association. The cooperative housing corporation or condominium management association should provide you with this information.

Line 1

Purchase: Enter the amount from column C.

Power purchase agreement: Enter the lesser of column C or column D.

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 calculation 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.

Apply credits in the following order:

1. household credit
2. any credits that cannot be carried over or refunded
3. any credits that can be carried over for a limited duration
4. any credits that can be carried over for an unlimited duration
5. refundable credits

For more information, visit *www.tax.ny.gov* (search: *ordering)*.

Line 7

Enter the amount from line 7 on Form IT-201-ATT, line 5, or Form IT-203-ATT, line 6.

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 parent 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 parent would claim the other half of the credit on their New York State return. You must each submit Form IT-255 showing the calculation of the total credit and submit the statement as described.*

Line 8

If you occupied your principal residence with another taxpayer or taxpayers, subtract line 7 from your share of the line 3 amount.

Line 9

You can only carry over a credit amount that is more than the tax you owe for a maximum of five years. Enter any expired credit amount on this line.