

2024 Renewable Energy Production Tax Credit

For information or help, call one of the numbers listed:

Phoenix (602) 255-3381
From area codes 520 and 928, toll-free (800) 352-4090

Tax forms, instructions, and other tax information

If you need tax forms, instructions, and other tax information, go to the department's website at www.azdor.gov.

Income Tax Procedures and Rulings

These instructions may refer to the department's income tax procedures and rulings for more information. To view or print these, go to our website and select *Reports & Legal Research*. On the next page, click on *Legal Research*. Select a Document Type and a Category from the drop down menus. If you know the document ID number you may enter it in the Search field and then press enter.

Publications

To view or print the department's publications, go to our website, scroll down, click on *Reports & Legal Research*, and click on *Publications* in the right hand column.

General Instructions

This credit provides nonrefundable individual and corporate income tax credits for production of electricity by a qualified energy generator that produces electricity using a qualified energy resource.

The taxpayer must hold title to a qualified energy generator that begins producing electricity from and after December 31, 2010, and before January 1, 2021. The credit is effective for taxable years beginning from and after December 31, 2010.

"Qualified energy generator" means a facility that has at least five megawatts generating capacity, that is located on land in Arizona owned or leased by the taxpayer, that produces electricity using a qualified energy resource and that sells electricity to an unrelated entity, unless the electricity is sold to a public service corporation.

"Qualified energy resource" means a resource that generates electricity through the use of only: solar light, solar heat, wind or biomass.

The Department of Revenue (Revenue) will certify credits on a first-come, first-served basis. The entity that holds title to the qualified energy generator must apply between January 2 and January 31 of the year following the calendar year of production. Fiscal year taxpayers will claim the credit on the return for the taxable year in which the calendar year ends.

The amount of total credits Revenue may allow cannot exceed \$20 million in any calendar year. The amount of credit per facility is limited to \$2 million per calendar year, for up to 10 consecutive calendar years. The amount of the credit is based on electricity produced, the qualified energy resource used, the year of production, and Revenue certification.

Revenue will issue a Certificate of Renewable Energy Production Tax Credit (Certificate) to the applicant if it is certified to claim the tax credit. Each taxpayer must include a copy of the Certificate with the return.

Co-owners of a business, including partners in a partnership and shareholders of an S Corporation, may each claim only the *pro rata* share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

The credit is available to an exempt organization that is subject to corporate income tax on unrelated business taxable income (UBTI). The credit must result from the activities that generate UBTI.

The unused portion of this tax credit may be carried forward for five succeeding taxable years.

For more information regarding this credit, review the program guidelines developed by Revenue, available at www.azdor.gov on the Tax Credits page.

Specific Instructions

Complete the name and taxpayer identification number (TIN) section at the top of the form. Indicate the period covered by the taxable year. Include the completed form with the tax return.

All returns, statements, and other documents filed with the department require a TIN. The TIN for a corporation, an exempt organization with UBTI, an S Corporation, or a partnership is the taxpayer's employer identification number (EIN). The TIN for an individual is the taxpayer's Social Security Number (SSN) or an Internal Revenue Service Individual Taxpayer Identification Number (ITIN). A taxpayer that fails to include its TIN may be subject to a penalty.

NOTE – To claim this credit:

- **Individual taxpayers that did not make the Small Business Income election**, complete this credit form and Arizona Form 301, Nonrefundable Individual Tax Credits and Recapture. Include both completed forms with your Individual Income Tax Return, (Form 140, 140PY, 140NR, or 140X).
- **Individual taxpayers that made the Small Business Income election**, complete this credit form and Arizona Form 301SBI, Nonrefundable Individual Tax Credits and Recapture for Form 140-SBI, 140PY-SBI, 140NR-SBI, and 140S-SBI. Include both completed forms with your SBI Tax Return (Form 140-SBI, 140PY-SBI, 140NR-SBI, or 140X-SBI).
- **C Corporations, S Corporations claiming this credit at the corporate level, and exempt organizations with UBTI**, complete this credit form and Arizona Form 300, Nonrefundable Corporate Tax Credits and Recapture. Include both completed forms with your tax return.
- **S Corporations electing to pass this credit through to its shareholders**, complete this credit form. Also complete Form 343-S for each shareholder of the S Corporation. Provide each shareholder a copy of his or her completed Form 343-S. Include Form 343 and one copy of each completed Form 343-S with your tax return.

- **Partnerships**, complete this credit form. Also, complete Form 343-P for each partner of the partnership. Provide each partner a copy of his or her completed Form 343-P. Include Form 343 and one copy of each completed Form 343-P with your tax return.

Part 1 - Qualification for and Current Taxable Year's Credit

Line 1

If the taxpayer received a Certificate from Revenue, check the "Yes" box. Otherwise, check the "No" box and skip line 2.

Line 2

If you checked the "Yes" box on line 1, enter the amount of credit for calendar year 2024 on your Certificate received from Revenue. Fiscal year taxpayers will claim the credit on the return for the taxable year in which the calendar year ends. Be sure to include a copy of your Certificate.

Line 3

If an entity from which you are claiming a pass through renewable energy production tax credit received a Certificate from Revenue, check the "Yes" box. Otherwise, check the "No" box, and skip line 4 and line 5.

If you checked the "No" box for both line 1 and line 3, do not file Form 343, unless you have carryovers from prior years.

Line 4

Enter the amount of this credit passed through from partnerships on Form(s) 343-P, line 3(c).

Line 5

Enter the amount of this credit passed through from S Corporations on Form(s) 343-S, line 3(c).

Line 6

Add lines 2, 4, and 5. Enter the total. This is the current taxable year's Renewable Energy Production Tax Credit.

Part 2 - Partnerships

A partnership claiming this credit *must* pass it through to its partners. Proceed to the instructions for completing Form 343-P on page 4.

- Complete Form 343-P for each partner.
- Provide a completed copy of Form 343-P to each partner.
- Provide a copy of the Certificate of Renewable Energy Production Tax Credit received from Commerce to each partner.
- Include a copy of each completed Form 343-P with your tax return.
- Keep a copy of each completed Form 343-P for your records.
- Do not complete the remainder of this form.

Each partner is entitled to only a *pro rata* share of each credit based on the partner's ownership interest in the partnership. The total of each credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

NOTE: Trusts and estates which are partners in a partnership are not eligible to claim these credits. However, the share of a partnership owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.

Part 3 - S Corporation Credit Election and Shareholder's Share of Credit

Lines 7, 7a, & 7b - S Corporation Credit Election

The S Corporation must complete line 7 and line 7a or line 7b. The S Corporation must make an irrevocable election to either claim the current taxable year credit at the corporate level, or pass the credit through to its shareholders. The S Corporation election is made by:

- Checking the box on line 7a electing to claim the current taxable year credit at the corporate level; or,
- Checking the box on line 7b to pass the current taxable year credit through to its shareholders.

The election statement must be signed by an officer of the S Corporation who is also a signatory to Arizona Form 120S.

If the S Corporation elects to claim the credit itself, it must complete Part 4 and Part 5 as necessary.

If the S Corporation elects to pass this credit through to its shareholders, proceed to the instructions for completing Form 343-S on page 4.

If passing this credit through to the shareholders:

- Complete Form 343-S for each shareholder.
- Provide a copy of completed Form 343-S to each shareholder.
- Provide a copy of the Certificate of Renewable Energy Production Tax Credit received from Commerce to each partner.
- Include a copy of each completed Form 343-S with your tax return.
- Keep a copy of each completed Form 343-S for your records.

Each S Corporation shareholder is entitled to only a *pro rata* share of pass through credit based on ownership interest in the S Corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

NOTE: Trusts and estates which are shareholders of an S Corporation are not eligible to claim these credits. However, the share of an S Corporation owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of these credits.

Part 4 - Available Credit Carryover

S Corporations, if this credit was claimed at the corporate level in a prior taxable year and there is a carryover amount available, complete Part 4.

Lines 8 through 12

Use Part 4 to figure your total available credit carryover from prior taxable years. Complete lines 8 through 12, columns (a) through (d), if you claimed the credit on a prior year's return and the credit exceeded your tax liability.

Enter the taxable year(s) from which you are carrying over the credit in column (a) on lines 8 through 12. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which you have already used. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d).

Line 13

Add the amounts entered on lines 8 through 12 in column (d). Enter the total. This is the total credit carryover available for the current taxable year.

Part 5 - Total Available Credit**Line 14**

Enter the current year's credit.

Individuals, C Corporations, S Corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI: Enter the amount from Part 1, line 6.

Partnerships: Enter "0".

S Corporations that passed the current year credit through to shareholders: Enter "0".

Individuals that did not make the Small Business Income election: Enter the total. Also, enter this amount on Form 301, Part 1, line 16, column (a).

Individuals that made the Small Business Income election: Enter the total. Also, enter this amount on Form 301-SBI, Part 1, line 11, column (a).

C Corporations, S Corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI: Enter the total. Also, enter this amount on Form 300, Part 1, line 9, column (a).

Line 15

Enter the available credit carryover from prior years.

Individuals, C Corporations, S Corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI: Enter the amount from Part 4, line 13, column (d).

Individuals that did not make the Small Business Income election: Enter the total. Also, enter this amount on Form 301, Part 1, line 16, column (b).

Individuals that made the Small Business Income election: Enter the total. Also, enter this amount on Form 301-SBI, Part 1, line 11, column (b).

C Corporations, S Corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI: Enter the total. Also, enter this amount on Form 300, Part 1, line 9, column (b).

Line 16

Add line 14 and line 15. Enter the total. This is the total available renewable energy production tax credit that may be applied to the current year's tax liability.

Individuals that did not make the Small Business Income election: Enter the total. Also, enter this amount on Form 301, Part 1, line 16, column (c).

Individuals that made the Small Business Income election: Enter the total. Also, enter this amount on Form 301-SBI, Part 1, line 11, column (c).

C Corporations, S Corporations that elected to claim the credit at the corporate level, and exempt organizations with UBTI: Enter the total. Also, enter this amount on Form 300, Part 1, line 9, column (c).

Form 343-P, Distribution to Partners of a Partnership

Enter the taxable year for which this credit is being passed through to your partners.

Complete Form 343-P for each partner of the partnership, *except for* trust or estate partners. However, a partnership ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The partnership must furnish each partner with their completed copy of Form 343-P, including additional schedules as needed.

NOTE: *Form 343-P is used to distribute the partnership's share of this credit to its partners.*

Distribution of the Credit

To distribute the credit to the partners of the partnership (complete lines 1 through 3):

Line 1

Enter the partnership's name and EIN in the spaces provided.

Line 2

Enter the partner's name and TIN in the spaces provided.

Line 3a

Enter the amount of this credit from Form 343, Part 1, line 6.

Line 3b

Enter the partner's ownership percentage.

Line 3c

Multiply line 3a by line 3b and enter the result.

This is the partner's portion of this credit.

Form 343-S, S Corporation Distribution to Shareholders of an S Corporation

Enter the taxable year for which this credit is being passed through to your shareholders.

Complete Form 343-S for each shareholder of the S Corporation, *except for* trust or estate shareholders. However, an S Corporation ownership share that is owned by a grantor trust that is disregarded for federal income tax purposes is treated as owned by the grantor. The grantor may claim his or her share of the credit.

The S Corporation must furnish each shareholder with a completed copy of Form 343-S, including additional schedules as needed.

NOTE: *Form 343-S is used to distribute the S Corporation's share of this credit to its shareholders.*

Distribution of the Credit

To distribute the credit to the S Corporation shareholders (complete lines 1 through 3):

Line 1

Enter the S Corporation's name and EIN in the spaces provided.

Line 2

Enter the shareholder's name and TIN in the spaces provided.

Line 3a

Enter the amount of this credit from Form 343, Part 3, line 6.

Line 3b

Enter the shareholder's ownership percentage.

Line 3c

Multiply line 3a by line 3b and enter the result.

This is the shareholder's portion of this credit.