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DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2012-14

Re: Claiming of the Renewable Energy Technologies Income Tax Credit for Residential Systems Installed and Placed in Service on or Before December 31, 2012

The Department of Taxation issued temporary administrative rules relating to the Renewable Energy Technologies Income Tax Credit which apply to systems installed and placed in service on or after January 1, 2013. Section 18-235-12.5-01T(a)(3) of these temporary administrative rules states:

> "Installed and placed in service" means that the system is ready and available for its specific use. With respect to systems installed for residential property, all requirements will be completed and a system will be deemed to be installed and placed in service when: (1) The actual cost has been incurred; (2) all installation, including all related electrical work, has been completed; and (3) any required requests for inspection of the installation has been received by the appropriate government agency. However, if the residential installation fails to pass all the required inspections the credit is properly claimed in the taxable year in which the system passes such inspection.

This definition of "installed and placed in service" also applies to single-family and multi-family residential systems (collectively "residential systems") which are installed and placed in service on or before December 31, 2012. With respect to the third requirement, any request for a required inspection must be received by the appropriate government agency on or before the close of the taxable year in which the credit is to be claimed. For calendar year taxpayers, December 31 is the close of the taxable year.

If the system does not pass the required inspection that was requested in order to meet the third requirement (as stated above), then the credit for that system must be claimed in the taxable year in which the system successfully passes the inspection. For example, if a calendar year taxpayer submits a required request for inspection that is received by the appropriate government agency on December 31, 2012 and subsequently passes such inspection in 2013, then the credit is properly claimed in the 2012 taxable year. However, if the system fails the inspection, another request for inspection is submitted and received by the appropriate government agency in 2013, and the system passes inspection in 2013, the credit is properly claimed in the 2013 taxable year. If the credit is properly claimed in the 2013 taxable year, the credit must be calculated in a

manner compliant with §§18-235-12.5-01T through 18-235-12.5-06T of the temporary administrative rules. In order to be compliant, each system for which a credit is claimed must meet the applicable total output capacity requirement or one of the exceptions.

For more information on this issue, please contact the Technical Section at 808-587-1577 or by e-mail at Tax.Technical.Section@hawaii.gov.

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