

How Do I Claim Federal and North Carolina Tax Credits for My Renewable Energy System?

If you have recently purchased a renewable energy system, such as a solar photovoltaic (PV), a solar thermal heating and cooling system, or if you are considering investing in a system, the following is a brief step by step guide to assist you to filing and claiming your tax credits related to your system on your Federal and North Carolina Income Tax Returns.

The Federal and North Carolina solar thermal tax credit program is currently an active program, but not all forms have been updated to reflect all renewable energy tax information. This document references the 2012 forms. The 2013 forms may look different.

Federal Income Tax Return Credits

Step 1: Gather Your Renewable Energy System Invoices. You will need the total cost you incurred during the tax year for your system. This includes all your invoices or cancelled checks documenting your payments. Determine your total cost of all invoices as you will need to report that number later for the credit calculations.

1. Total Cost Incurred to Acquire System: _____

Step 2: Prepare your 2013 Federal Income Taxes as routinely done in previous calendar years. You will need to know your income tax liability (Gross Income—from wages or businesses/part, Adjusted Gross Income, Itemized or Standard Deductions and any other adjustments) as you would any routine tax year. Prepare your income taxes without the consideration of the renewable energy system purchased during the year. **This should produce two key tax numbers from your Form 1040, Page 2 you will need for your Federal tax credit claim:**

1. Line 43: Taxable Income: _____

2. Line 46: Total Tax Liability on Line 43 (Sum of Lines 44 and 45): _____

Step 3: Prepare your 2013 Federal Tax Credits. You will need the 2013 version of Form 5695, Residential Energy Credits. A partial picture of the 2013 form is shown below as an example:

Form 5695	Residential Energy Credits	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service	▶ Information about Form 5695 and its instructions is at www.irs.gov/form5695 . ▶ Attach to Form 1040 or Form 1040NR.	2013 Attachment Sequence No. 158
Name(s) shown on return		Your social security number
Part I Residential Energy Efficient Property Credit (See instructions before completing this part.)		
Note. Skip lines 1 through 11 if you only have a credit carryforward from 2012.		
1 Qualified solar electric property costs	1	
2 Qualified solar water heating property costs	2	
3 Qualified small wind energy property costs	3	
4 Qualified geothermal heat pump property costs	4	
5 Add lines 1 through 4	5	
6 Multiply line 5 by 30% (.30)	6	
7a Qualified fuel cell property. Was qualified fuel cell property installed on or in connection with your main home located in the United States? (See instructions) ▶	7a	<input type="checkbox"/> Yes <input type="checkbox"/> No
Caution: If you checked the "No" box, you cannot take a credit for qualified fuel cell property. Skip lines 7b through 11.		
b Print the complete address of the main home where you installed the fuel cell property.		
Number and street	Unit No.	
City, State, and ZIP code		

Step 3A: With your total investment costs (from Step 1 above), enter your total investment on Line 1 if you have a qualified solar PV system, and enter your amount Line 2 if you have a qualified solar thermal heating and cooling system on Form 5695.

Step 3B: Follow the form to add lines 1 through 4 on line 5, then multiply line 5 by 30% and enter the value on Line 6 and on Line 13. Proceed to Line 14.

Step 3C: Enter your Tax Liability on Line 14 (from Step 2 above—Line 46 from your Form 1040). Follow from through Line 15 (if applicable) and total on Line 16.

Step 3D: Enter the smaller of Line 13 or Line 16 on Line 17. Congratulations...This is your **2013 Federal Tax Credit**. If Line 13 is larger than Line 16, enter the difference on Line 18. This is carryforward to your 2014 income tax return. (**Note:** If you use a tax software system such as Turbo Tax®, your system will retain this information to include in your 2014 tax information.)

Step 4: Transfer tax credit on Line 17 amount back to your Form 1040 Line 52. Your Residential Energy Credits will reduce your Tax Liability on a dollar for dollar basis, as it is summed on Line 54. Subtract Line 54 from Line 46 on Line 55. Your other taxes (Lines 56 through 61) and Tax Payments (Lines 62 and 72) are then calculated based on your tax situation, payments, withholdings, etc.

Congratulations again....you have completed your Federal Tax Credit Claim. Now let's calculate your North Carolina Tax Credits.

Note: These same steps apply for taxpayers who file their returns electronically.

North Carolina Income Tax Return Credits

Step 1: Similar to Federal Step 1, know your total cost incurred.

Step 2: Prepare your 2013 North Carolina Income Taxes as routinely done in previous calendar years. You will need to calculate your state income tax liability (including any other state adjustments) as you would routinely. Prepare your NC income taxes without the consideration of the renewable energy system purchased during the year.

Step 3: Prepare your 2013 North Carolina Tax Credits. You will need to first report your claim on Form NC-478G specifically for investing in renewable energy property then transfer the credit amount to NC-478 which summarized all tax credits.

You will need the 2013 version of Form NC-478G, Investing in Renewable Energy Property. This is a partial picture of the 2012 form NC-478G as an example:

2012 Tax Credit
Investing in Renewable Energy Property
North Carolina Department of Revenue

Legal Name (First 10 Characters)		SSN or FEIN
Part 1. Qualifying Information		
▶ Type of Renewable Energy Property (Fill in all applicable circles)	Address and County Where Energy Property is Placed in Service	
<input type="radio"/> Biomass <input type="radio"/> Hydroelectric <input type="radio"/> Solar thermal <input type="radio"/> Combined Heat and Power <input type="radio"/> Solar electric	<input type="radio"/> Passive solar <input type="radio"/> Daylighting <input type="radio"/> Wind <input type="radio"/> Biofuels <input type="radio"/> Geothermal	
▶ Purpose Served (Fill in applicable circles)		
<input type="radio"/> Business purpose	<input type="radio"/> Nonbusiness purpose	
Part 2. Computation of Credit Amount for Investing in Nonbusiness Property in 2012 (This credit must be taken in 2012.)		
1. Cost of renewable energy property constructed, purchased, or leased and placed in service in N.C. in 2012 for a nonbusiness purpose	▶	_____ .00
2. Multiply Line 1 by 35.0%	▶	_____ .00
3. Maximum credit (Enter applicable maximum)	▶	_____ .00
<ul style="list-style-type: none">● Enter \$1,400 per dwelling for solar energy equipment for domestic water heating● Enter \$3,500 per dwelling for solar energy equipment for active or passive space heating or for combined domestic water heating and space heating● Enter \$8,400 for each installation of geothermal equipment● Enter \$10,500 for each installation of any other renewable energy property		



Step 3A: First, enter your Name, SSN, and Qualifying Information in Part 1 of Form NC-478G.

Step 3B: With your total investment costs (from Step 1), enter your total investment on Part 2, Line 1.

Step 3C: Multiply line 1 by 35% and enter the value on Line 2 and enter \$10,500 on Line 3. Enter the lesser of Line 2 or 3 on Line 4 and Line 10 on page 2 of the form.

Step 3D: Proceed to Line 10 and enter your tax credit in the “Income” column. Total your Credits on Line 17. This is your total NC renewable energy credit. Transfer this amount to Form NC-478, Part 1, Line 7 to calculate your available tax credit.

Form NC-478

To report your tax credits on your income tax return, you will need the 2013 version of Form NC-478, Summary of Tax Credits Limited to 50% of Tax. This is a partial picture of the 2012 form NC-478 as an example:

NC-478
Web
12-12

2012 Summary of Tax Credits Limited to 50% of Tax
North Carolina Department of Revenue


For calendar year 2012 or other tax year beginning _____ = _____ = **12** and ending _____ = _____ = _____

► Fill in the circle that corresponds to the tax form you filed: Individual (D-400) C-Corp (CD-405) Insurance (IB-13, IB-33, IB-43, or IB-53) Amended Return
 Estate or Trust (D-407) S-Corp (CD-401S) Partnership (D-403)

Individual's First Name (USE CAPITAL LETTERS) M.I. Individual's Last Name (USE CAPITAL LETTERS) Individual's Social Security Number
Entity's Legal Name (USE CAPITAL LETTERS) Federal Employer ID Number

Part 1. Tax Credits Subject to 50% of Tax Limit (If you are eligible for a credit, attach the applicable NC-478 form. If no NC-478 form is available, attach a separate schedule to substantiate the amount of credit.)

	Franchise	Income
1. Creating Jobs		
a. Article 3A	► _____ .00	_____ .00
b. Article 3J	► _____ .00	_____ .00
2. Investing in Machinery and Equipment	► _____ .00	_____ .00
3. Research and Development (Article 3A)	► _____ .00	_____ .00
4. N.C. Research and Development	► _____ .00	_____ .00
5. Investing in Central Office or Aircraft Facility Property	► _____ .00	_____ .00
6. Investing in Business Property (Article 3J)	► _____ .00	_____ .00
7. Investing in Renewable Energy Property	► _____ .00	_____ .00



Step 4A: Enter your tax credits from Form NC-478G on Form NC-478. Line 7 under the “Income” column. Sum your tax credits on line 20. Proceed to page 2.

Step 4B: On page 2, Part 2, Line 21 enter your total NC income tax liability (from Step 2—Line 18 from your NC Form D-400). Follow from through Line 22 (if applicable) and total on Line 23. Multiply Line 23 by 50% and enter the result on line 24.

Step 4C: Enter the lesser of Line 20 (from Step 4A) or Line 24 (from Step 4B) on Line 25. Congratulations. You have just calculated your available North Carolina Tax Credit for 2013.

Step 4D: Enter your amount of your NC tax credit taken on Part 3, Line 35 under the “Income” column. Any unused credit will be carried forward to your 2014 tax credit form claim. (Note: If you use a tax software system such as Turbo Tax®, your system will retain this information to include in your 2014 tax information.)

Form NC D-400

Step 5: Enter your available NC tax credit taken for 2013 on Line 19 of your NC Income Tax Return (D-400) on Page 2, Line 19. This is a dollar for dollar reduction of your NC income tax liability.

Congratulations once again....you have calculated and claimed your available NC tax credit claim for 2013.

Note: Similar to the Federal steps, these same NC steps apply for taxpayers who file their returns electronically.

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Please consult your tax advisor for specific questions on the renewable energy investment tax credits and incentives. You may also consult the Database of State Incentives for Renewables & Efficiency (www.dsireusa.org) which provides comprehensive information on state, federal, local and local utility incentives and policies.

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