
RENEWABLE ENERGY DEVELOPMENT

STATE TAX POLICIES AND INCENTIVES IMPACTING RENEWABLE ENERGY DEVELOPMENT

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ARIZONA

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Tribal Governments are Eligible for:

- Non-Residential Solar & Wind Tax Credit (Personal and Corporate)

State Taxes that Impact Development

Gross Receipts Tax

Transaction Privilege Tax (TPT)

The Arizona transaction privilege tax (TPT) is imposed on sellers doing business in the state. Business activities that are subject to the tax must be licensed, and activities include retail sales, bars, commercial leasing, contracting, severance (metal mining), transportation, nonmetal mining, utilities, and more. The tax license must be issued for each location where business takes place. Tax rates vary by city and county.

Arizona offers solar energy device deductions to retailers, lessors and contractors registered with the Department of Revenue who sell, lease or install qualified solar energy devices. Register to sell items by completing the Solar Energy Device Registration form (Form 6015).

Property Tax as a Percent of Income

3.22 percent

Personal Income Tax

- 2.59 percent for \$0 to \$10K
- 2.88 percent for \$10K to \$25K
- 3.36 percent for \$25K to \$50K
- 4.24 percent for \$50K to \$150K
- 4.54 percent for \$150K+

Corporate Income Tax

6.968 percent

Sales and Use Tax

6.6 percent

Unemployment Insurance Tax



	<p>0.02 percent to 5.86 percent</p> <p><u>Gasoline and Diesel Tax</u></p> <p>19 cents per gallon</p>
<p>Exemptions for Doing Business in Indian Country</p>	<p>None.</p>
<p>Tax Incentives</p> <ul style="list-style-type: none"> ➤ Non-Residential Solar and Wind Tax Credit ➤ Production Tax Credit ➤ Residential Solar and Wind Tax Credit ➤ Solar and Wind Equipment Sales Tax Exemption ➤ Energy Equipment Property Tax Exemption ➤ Property Tax Assessment for Renewable 	<p><u>Non-Residential Solar and Wind Tax Credit (Corporate and Personal)</u></p> <p>*Tribal Governments are eligible</p> <p>Arizona offers a tax credit for up to ten percent of the costs of solar and wind installations that can be applied against corporate or personal taxes. Unused credits may be carried forward for up to five consecutive taxable years.</p> <ul style="list-style-type: none"> ➤ <i>Incentive:</i> 10 percent of installed costs (credit) up to \$25,000 for any one building in the same year and \$50,000 per business in total credits per year. ➤ <i>System Size:</i> No size restrictions ➤ <i>Eligible Renewable Technologies:</i> Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Wind, Solar Cooling, Solar Pool Heating and Daylighting ➤ <i>Applicable Sectors:</i> Commercial, Industrial, Nonprofit, Schools, Local Government, State Government, Tribal Government, Federal Government, Agricultural and Institutional ➤ <i>Expiration Date:</i> December 31, 2018 ➤ <i>Authorities:</i> A.R.S. §43-1085, A.R.S. §43-1164 and A.R.S §41-1510.01 <p><u>Renewable Energy Production Tax Credit (Personal and Corporate)</u></p> <p>Arizona offers Renewable Energy Production Tax Credits for certain renewable resources based on the amount of electricity produced annually over ten years.</p> <ul style="list-style-type: none"> ➤ <i>Incentive for Solar:</i> Varies by year over a ten-year period ➤ <i>Maximum Amount:</i> \$2 million per year ➤ <i>Eligible Renewable Technologies:</i> Solar Thermal Electric, Photovoltaics, Landfill Gas, Wind and Biomass ➤ <i>Applicable Sector:</i> Commercial ➤ <i>System Size Minimum:</i> 5 MW ➤ <i>Expiration:</i> December 31, 2020



Energy
Equipment

➤ Business Tax
Incentives

- *Authority:* A.R.S. § 43-1083.02

Residential Solar and Wind Energy Systems Tax Credit

Available to individual taxpayers who install a solar energy device at his or her residence, Arizona's Solar Energy Credit is applied against the taxpayer's personal income tax.

- *Incentive:* 25 percent of the cost of a solar device
- *Maximum:* \$1,000 regardless of the number of devices installed
- *Eligible Renewable Technologies:* Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Photovoltaics, Wind, Solar Ovens, Solar Cooling, Solar Pool Heating and Daylighting
- *Applicable Sector:* Residential
- *Authority:* A.R.S. § 43-1083

Solar and Wind Equipment Sales Tax Exemption

Arizona exempts 100 percent of sales tax for the retail sale of solar energy devices and for installing solar energy devices by contractors.

- *Incentive:* 100 percent (no maximum)
- *Eligible Renewable Technologies:* Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Photovoltaics, Wind, Solar Pool Heating and Daylighting
- *Applicable Sectors:* Commercial, Residential and the general public/consumer
- *Expiration Date:* December 31, 2016
- *Authorities:* A.R.S. § 42-5061 (N), A.R.S § 42-5075 (14) and HB 2700 (2010)

Energy Equipment Property Tax Exemption

Arizona provides a property tax exemption for owners purchase and install solar energy systems. Owners must provide documentation to county assessors no less than six months before the notice of cash value is issued for the initial valuation year.

- *Incentive:* 100 percent of increased value
- *Eligible Renewable Technologies:* Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Landfill Gas, Wind, Biomass, Geothermal Electric, Geothermal Heat Pumps, CHP/Cogeneration, Solar Cooling, Solar Pool Heating, Daylighting, Anaerobic Digestion and Small Hydroelectric
- *Applicable Sectors:* Commercial, Industrial and Residential
- *Authority:* A.R.S. §42-11054



**Other State-
Implemented
Financial
Incentives and
Programs**

- **Qualifying
Wood Stove
Deduction**
- **Incentive
Districts**

Property Tax Assessment for Renewable Energy Equipment

Renewable energy equipment is assessed at 20 percent of its depreciated cost for the purpose of determining property tax.

- *Incentive:* Qualifying equipment is assessed at 20 percent of its depreciated cost
- *Eligible Renewable Technologies:* Solar Thermal Electric, Photovoltaics, Wind, Biomass, Hydroelectric and other nonpetroleum renewable
- *Applicable Sectors:* Utilities, other entities that generate, transmit or distribute eligible electricity but do not use it
- *Expiration:* December 31, 2040
- *Authority:* A.R.S. § 42-14155

Renewable Energy Business Tax Incentives

Arizona provides tax incentives to attract renewable energy product manufacturers to the state. Income and property tax incentives are available for companies that establish or expand their manufacturing facilities in Arizona. Businesses must meet job creation requirements and different incentive levels apply depending on the quantity and quality of jobs.

- *Incentive:* Tax credit up to 10 percent of investment amount with no limit on property tax reductions.
- *Eligible Renewable Technologies:* Solar Water Heat, Solar Thermal Process Heat, Solar Thermal Electric, Photovoltaics, Biomass, Wind, Hydroelectric, Geothermal Electric, Geothermal Heat Pumps, CHP/Cogeneration, Solar Pool Heating, Small Hydroelectric, Anaerobic Digestion and Fuel Cells using Renewable Fuels
- *Applicable Sectors:* Commercial and Industrial
- *Authority:* A.R.S. § 41-1511

Qualifying Wood Stove Deduction

Arizona taxpayers can deduct the cost of converting an existing wood fireplace to a qualifying wood stove.

- *Incentive:* Personal deduction (total cost not including taxes and finance charges)
- *Eligible Renewable Technologies:* Biomass (wood stoves)
- *Applicable Sectors:* Residential
- *Authority:* A.R.S. § 43-1027

Renewable Energy Incentive Districts

Arizona law allows cities or towns to designate a renewable energy incentive



	<p>district if there are vacant parcels of property that are appropriate sizes for constructing renewable energy equipment and if constructing and operating the equipment is not incompatible with other uses of property in the area. If a district is established, the governing body must adopt an incentive plan that encourages construction and operation of renewable energy equipment in the district. This could include expedited zoning procedures and processing of plans, proposals and permits; abatement of related fees; or waivers for development standards or other requirements.</p> <ul style="list-style-type: none"> ➤ <i>Authority:</i> A.R.S. § 9-499.14
<p>Renewable Portfolio Standard</p>	<p>15 percent by 2025. Thirty percent of the requirement must be derived from distributed energy in 2012 and thereafter (4.5 percent of sales in 2025).</p>
<p>Regulatory Policies</p> <ul style="list-style-type: none"> ➤ Net Metering ➤ Interconnection Guidelines ➤ Solar Contractor Licensing ➤ Solar Rights (Access Laws) ➤ Solar Design Standards for State Buildings ➤ Renewable Energy and Green Building Standards in New State Buildings 	<p><u>Net Metering</u></p> <p>Net metering is available to customers who generate electricity using certain renewable energy technologies. There is no firm kilowatt-based limit on the capacity size of the system, but they cannot exceed 125 percent of the customer’s total connected load. Customers’ net excess generation is carried over to the next bill at the utility’s retail rate as a credit (kWh) and the last monthly bill in a year is paid to the customer.</p> <ul style="list-style-type: none"> ➤ <i>Eligible Renewable Technologies:</i> Solar Thermal Electric, Photovoltaics, Landfill Gas, Biomass, Wind, Hydroelectric, Geothermal Electric, CHP/Cogeneration, Municipal Solid Waste, Hydrogen, Biogas, Small Hydroelectric, Anaerobic Digestion and Fuel Cells using Renewable Fuels ➤ <i>Applicable Sectors:</i> State Government, Local Government, Schools, Nonprofits, Residential, Industrial, Commercial and Institutional ➤ <i>Applicable Utilities:</i> Electric cooperatives and investor-owned utilities ➤ <i>Authority:</i> ACC R14-202391 et seq. <p><u>Interconnection Guidelines</u></p> <p>The Arizona Corporation Commission (ACC) initiated a rulemaking process in 2007 to establish statewide interconnection standards for distributed generation. This is still in progress, but the commission recommends that utilities use specified <i>Interconnection Guidelines</i> for systems up to 10 MW in capacity.</p> <p>Prior to the proceeding, the state’s utilities developed interconnection agreements for distributed generation. Capacity limits, agreements and insurance requirements vary by utility and apply to SRP and investor-owned utilities.</p>



- *Eligible Renewable Technologies:* Distributed generation technologies such as Photovoltaics, Solar Thermal Electric, Landfill Gas, Biomass, Wind, Hydroelectric, Fuel Cells, Geothermal Electric, CHP/Cogeneration. Fuel Cells using Renewable Fuels and Micro turbines
- *Applicable Sectors:* Residential, Commercial and Industrial

Solar Contractor Licensing

There is no general solar electric contractor license, but the state’s electrical license (C-11/L-11) covers solar installations which are required for electrical work on residential and commercial installations. To work with solar energy systems, contractors must have four years of relevant experience and pass an exam.

- *Authority:* A.R.S. § 32-1170, et seq.

Solar Rights (Access Law)

Individual homeowners’ private property rights to solar access are protected. Local restrictions attached to a property deed that may restrict the use of solar are prohibited. A homeowners association cannot prohibit installation or use of solar-energy devices.

- *Authorities:* A.R.S. §33-439 and A.R.S. § 33-1816

Solar Design Standards for State Buildings

New state buildings that are over 6,000 square feet must follow prescribed solar design standards and solar technologies are evaluated by life cycle costs.

- *Authority:* ARS 34-452

Renewable Energy and Green Building Standards in New State Buildings

At least 10 percent of energy must come from renewable resources in new state-funded buildings. This may include solar, wind or thermal energy from biomass fuels.

- *Authorities:* Executive Order 2005-05, A.R.S. § 34-451 and Executive Order 2008-29

**State-
Implemented
Manufacturing
and Business
Incentives and**

Solar and Wind Equipment Certification

Heat exchangers, storage units and collectors for solar energy systems sold or installed must have at least a two year warranty, and the rest of the components must have a one year warranty.

- *Eligible Renewable Technologies:* Passive Solar Space Heat, Solar Water Heat,



Policies

- Solar and Wind Equipment Certification
- Solar Construction Permitting Standards

Solar Space Heat, Solar Thermal Electric, Photovoltaics, Wind and Daylighting

- *Authority:* A.R.S. § 44-1762

Solar Construction Permitting Standards

Those who own solar photovoltaic systems and solar water heating systems must obtain a building permit before systems can be installed. Permits are handled at the local level where counties and municipalities adopt their own requirements and assign their own fees, which are usually derived based on the cost and size of the project.

In May 2008, House Bill 2615 established standards for how permits are awarded and applied rules to govern the fee municipalities and counties can charge.

- *Eligible Renewable Technologies:* Solar Water Heat and Photovoltaics
- *Authorities:* A.R.S. § 9-468 and A.R.S. § 11-323

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Incentives for Businesses 50 State Handbook, State Capitol Group (Washington, D.C.: State Capitol Group, July 2010); www.statecapitalgroup.org

Robyn, Mark, *2012 State Business Tax Climate Index*, Tax Foundation (Washington, D.C.: Tax Foundation, January 2012); http://taxfoundation.org/files/2012_tax_foundation_index_bp62.pdf.

Various state websites

