



Community solar investors may qualify for federal tax credits

September 15, 2015

The Internal Revenue Service (IRS) recently issued a private letter ruling that may open the door for community solar investors to qualify for federal tax credits. The letter ruling applied to a case involving a Vermont taxpayer who had invested in a community solar project. Specifically, the taxpayer had purchased 10 solar panels of the jointly owned, 640-panel Boardman Hill Solar Farm. The ruling allows him to take a 30 percent credit on that investment. By allowing this credit, the IRS reduced the cost of his investment in the solar project from \$8,746 to about \$6,000.

Although the private letter ruling is specific to this individual taxpayer, it is significant for a couple of reasons. First, the ruling suggests that the federal tax credits designed to promote residential investment in solar are not limited to residential rooftop solar or even a solar project on that individual's property. Second, the letter ruling clarifies prior guidance by the IRS that a taxpayer who only partially owns a solar project may qualify for tax credits. Lastly, the letter ruling could significantly boost community solar projects.

"Community solar" is a term used for a collaborative renewable energy arrangement that allows several energy customers to share the benefits of a single local solar power project. This type of solar arrangement may increase access to solar energy and to reduce up-front costs for participants. Community solar projects may also allow renters or condominium owners to partly own and benefit from solar. Additionally, community solar has additional advantages, including:

- Improved economies of scale
- Optimal project siting
- Increased public understanding of solar energy
- Local job generation
- Opportunity to test new models of marketing, project financing, and service delivery

This information is not intended to constitute and is not substitute for legal or other advice.

Authors



Dylan F. Borchers

Partner

Columbus

614.227.4914

dborchers@bricker.com