

2009 Pennsylvania Alternative Energy Production Tax Credit Program



pennsylvania

DEPARTMENT OF ENVIRONMENTAL PROTECTION

Guidelines and Application Forms

Application Deadline Sept. 15, 2009

Introduction and guidance for the Alternative Energy Production Tax Credit Program

Pennsylvania's Alternative Energy Investment Act of 2008, signed into law by Gov. Edward G. Rendell on July 9, 2008 established the Alternative Energy Production Tax Credit. This tax credit is available to taxpayers who develop or construct alternative energy production projects located in the Commonwealth of Pennsylvania with a useful life of at least four years. The program provides for a tax credit of 15 percent of the total amount of all development, equipment and construction costs of the project, after all other grants and subsidies are subtracted, up to \$1 million per taxpayer.

A taxpayer must apply for the PA Alternative Energy Production Tax Credit by Sept. 15 for expenses incurred in the taxable year that ended in the prior calendar year. Thus, an application for PA Alternative Energy Production Tax Credit must be submitted by Sept. 15, 2009 for all expenses incurred in the tax year ending in 2008. The legislation limits the tax credit to projects commencing on or after July 9, 2008 (the effective date of the legislation), projects commencing prior to that date are not eligible for the Tax Credit. Fifty two/fifty three-week filers whose year ends in the first week of January will be considered calendar year (12-31) filers.

Applications for the Alternative Energy Production Tax Credit are submitted to the Department of Environmental Protection, Office of Energy and Technology Deployment for approval. The taxpayer will be notified of approval within 90 days of application receipt; however, due to statutory limitations on the total amount of tax credit available each fiscal year, the actual amount of the tax credit will not be available at the time the project is determined to qualify. Approved applications are forwarded to the Department of Revenue where a tax certificate for the approved amount of the tax credit will be generated and issued directly to the taxpayer by Dec. 31.

Types of projects identified in the legislation as eligible for the Alternative Energy Production Tax Credit include:

1. Energy Production or Distribution
2. Manufacturing
3. Research and Development
4. Rail

The following values are maximum tax credit amounts for each fiscal year:

1. \$5,000,000 in Fiscal Years 2008-2009, 2009-2010, 2010-2011 and 2011-2012
2. \$8,000,000 in Fiscal Year 2012-2013
3. \$10,000,000 in Fiscal Years 2013-2014 and 2014-2015
4. \$2,000,000 in Fiscal Year 2015-2016

If the total amount of Alternative Energy Production Tax Credits approved for all taxpayers exceeds these limitations, the tax credit amount will be calculated by the following formula:

$$TC = [a * (M/A)]$$

Where:

TC – tax credit for this applicant, $\leq a$

a – tax credit applied for by this applicant, max \$1,000,000

M – Total available tax credits for the year

A – Total value of all qualifying tax credit requests

For example, assuming a project was otherwise approved for a \$5,000 tax credit: If the total of all tax credits approved for 2009 were \$10 million with a legislative allowable limit of \$5 million, the prorated amount will be calculated by total available limit divided by the total of all qualified tax credits (\$5 million/ \$10 million = 0.5). The tax credit that was otherwise approved for a \$5,000 tax credit will be prorated by a factor of 0.5 resulting in a tax credit award of \$2,500.

The Department of Revenue will issue a tax credit certificate to all taxpayers with an approved application by Dec. 31st. The taxpayer may apply the approved credit against their PA Personal Income Tax, PA Corporate Net Income Tax, or PA Capital Stock/Franchise Tax for the current taxable year (the tax year in which the credit is approved). Any unused credit may be carried over to no more than the five succeeding taxable years. A taxpayer is not entitled to obtain a refund of unused PA Alternative Energy Production Tax Credits or to carry back tax credits to previous tax years.

Collaborative Projects

In cases where a single project is pursued by two or more otherwise qualified taxpayers, each taxpayer should submit an application. The application should clearly state the collaborative nature of the application and include the information of the collaborative partners. Costs and benefits must be prorated as appropriate for each partner taxpayer.

Pass-Through Entity

According to Department of Revenue procedures, a pass-through entity (such as a partnership or corporation), may elect, in writing, to transfer all or a portion of any unused tax credit to shareholders, members or partners in proportion to the share of the entity's distributive income to which the shareholder, member or partner is entitled. This pass-through amount would be in addition to any Alternative Energy Production Tax Credit to which a shareholder, member or partner of a pass-through entity is otherwise entitled so long as they do not claim a credit for the same alternative energy production investment.

A shareholder, member or partner of a pass-through entity to whom credit is transferred must immediately claim the credit in the taxable year in which the transfer is made. The shareholder, member or partner may not carry forward, carry back, obtain a refund of or sell or assign the credit.

Sale or Assignment

1. A taxpayer, upon application to and approval by the Department of Environmental Protection may sell or assign, in whole or in part, an alternative energy production project tax credit granted to the taxpayer if no claim for allowance of the credit is filed within one year from the date the credit is approved by the department and the Department of Revenue under this act.
2. Before an application is approved, the Department of Revenue must make a finding that the applicant has filed all required state tax reports and returns for all applicable taxable years and paid any balance of state tax due.
3. Notwithstanding any other provision of law, the Department of Revenue shall assess the tax of an applicant within 120 days of the filing of all required final returns or reports.
4. Purchasers and assignees.—the purchaser or assignee of all or a portion of a tax credit shall immediately claim the credit in the taxable year in which the purchase or assignment is made. The amount of the tax credit that a purchaser or assignee may use against any one qualified tax liability may not exceed 50% of such qualified tax liability for the taxable year. The purchaser or assignee may not carry forward, carry back or obtain a refund of or sell or assign the tax credit.

Eligibility

- Projects must comply with the following in order to be considered
 - All projects must be physically located in Pennsylvania.
 - Meet the definition of one of the four types of projects eligible for the Alternative Energy Production Tax Credit
 - Have been completed in the taxable year ending in the previous calendar year
 - Have been commenced after July 9, 2008 (Effective Date of Legislation)
- These costs are not allowable expense for the Tax Credit under any circumstances:
 - The purchase of land
 - Costs associated with lobbying
 - Entertainment
 - Food not associated with approved travel
 - Clothing such as hats, or tee shirts.
 - Any costs associated with lobbying, alcoholic beverages or allowance for bad debts
 - Contract contingency costs and other rate factors that do not reflect actual expenses
 - Costs associated with legal action against the commonwealth
 - Costs associated with illegal activities or substances
 - Costs associated with goods or services for personal use of Board members, officers or others
 - Previously used goods or equipment

Audit and Inspection

All projects are subject to audit and onsite inspection to verify reported information.

Application Submission and Deadline

Applications will be received until the application deadline of Sept. 15, 2009. Applications postmarked on or before Sept. 15, 2009 will be accepted. Applications must be submitted, to:

Alternative Energy Tax Credit Program
DEP Office of Energy and Technology Deployment
Rachel Carson State Office Building
400 Market Street, 15th Floor
Harrisburg, PA 17105-8772

E-mails or faxes will not be accepted. Applications submitted after the closing date or incomplete applications will not be considered.

For questions on tax credit approval, contact the Department of Environmental Protection, Office of Energy and Technology Deployment at 717-783-8411.

Use of the Tax Credit-PA Department of Revenue

Taxpayers are encouraged to contact a tax professional regarding the use of the tax credit. One consideration for individuals in using the tax credit is that the Tax Credit can not be applied towards a joint tax return. Questions relating to PA Personal Income Tax, AEP credit application, should be directed to the Bureau of Individual Taxes, Pa Dept of Revenue (717)-787-8346. For questions regarding the application of tax credits toward corporate tax liabilities or the pass through of corporate credit to the individual contact the Bureau of Corporation Taxes, Accounting Division at (717)-705-6225. In preparation for the sale or assignment of a previously awarded AEP credit Corporations may also call this number to confirm account status.

Additional information regarding the application of tax credits, sale or assignment procedure can be found in Corporation Tax Bulletin 2008-02 which can be found at the department's web site www.revenue.state.pa.us.

Once an application for the Sale/Assignment is made additional information regarding compliance issues may be obtained by contacting the Bureau of Compliance at (717)-772-2479.

Application Instructions

The instructions on the following pages describe the information required to complete the application. The application form must be typed or printed neatly and all applicable parts completed. The information **MUST** be complete. **Incomplete applications will not be considered.**

Please be sure to indicate your organization and sign the application. The authorized representative signing this section must be authorized by a board of directors, governing entity, etc., as the legal signatory for the applicant and the person capable of entering into a contract with the commonwealth. The original signature **MUST** be sent in by the deadline for accepting applications.

Complete applicant information section.

1. **Applicant Information:** Complete all requested information including applicant name, street address, city, state and zip code.
2. **Applicant Type:** Indicate the type of applicant by checking the box next to the appropriate description.
3. **For Corporations: Enter the Taxpayer's Federal ID number AND Pennsylvania Department of Revenue ID Number.** Applications from Corporations that do not include the Pennsylvania Department of Revenue ID number will be considered incomplete and will not be accepted. Other taxpayers enter "N/A" if not applicable.

For all other Taxpayers: Enter the Taxpayer's Social Security Number. Enter "N/A" in the Department of Revenue ID number if Not Applicable.

4. **Project Site:** Please provide the complete mailing address *of the project location*, including the nine-digit Zip Code (mandatory). Indicate the county(ies) and the municipality(ies) *where the project is located*. The project must be installed, constructed or located in the Commonwealth of Pennsylvania to be eligible for the Tax Credit.
5. **Indicate the category of the project, based on the following definitions:**
 - a. **Energy Production or Distribution:** A unit or project that utilizes waste coal, alternative fuels, biomass, solar energy, wind energy, geothermal technologies, clean coal technologies, waste energy technologies or other alternative energy sources as defined by the Alternative Energy Portfolio Standards Act, to produce or distribute alternative energy. Allowable expenses under this category are items and systems integral to the production or distribution of the alternative energy.
 - b. **Manufacturing:** Development and Construction of a new or expanded building or plant that manufactures or produces products, including component parts that:
 - i. Provide alternative energy or alternative fuels as defined by the Alternative Energy Portfolio Standards Act. Allowable expenses under this category are items and systems integral to and with a direct application to the manufacture or production of allowable products.
 - ii. Improve energy efficiency or conserve energy, which meet the requirements for and are registered with the U.S. EPA Energy Star Program. Allowable expenses under this category are items and systems integral to and with a direct application to the manufacture or production of allowable products.
 - c. **Research and Development:** Development and Construction of a new or expanded facility, building or plant with a focus on research and development of technology to provide alternative energy sources or alternative fuels as defined by the Alternative Energy Portfolio Standards Act. Allowable expenses under this category are items and systems integral to and with a direct application to the approved research and development.
 - d. **Rail:** A project for the development or enhancement of rail transportation systems that deliver alternative fuels or high efficiency locomotives.
 - i. **Delivery of Alternative Fuels Utilizing Rail:** A project that develops or enhances the transportation of alternative fuels via rail from the point of production to the distribution network in Pennsylvania. Allowable projects under this category would be those which are specific to the purpose of the category. Allowable expenses under this category are items and systems integral and with a direct application to the transportation and distribution of alternative fuels via rail.
 - ii. **High Efficiency Locomotives:** A project with a stated goal of developing new more efficient locomotives, or enhancing the efficiency of existing locomotives. A project under this category should document project goals and how the project will result in more efficient locomotives.
6. Describe the project, including technology utilized and the purpose of the project. Ensure that sufficient information and documentation is given to allow the Department of Environmental Protection to determine that the project falls within the definition listed for the category selected in line 4. Documentation supporting this description is required to be attached to the application (see line 16).
7. Enter the expected useful life of the project. Only projects with an expected useful life of at least four years are eligible for the tax credit.
8. Enter the date that the project was installed or operational. The legislation limits the tax credit to projects commencing on or after July 9, 2008 (the effective date of the legislation), projects commencing prior to that date are not eligible for the tax credit.

9. Enter the Development, Equipment, and Construction costs paid for the project. Only include costs directly related to the qualified Alternative Energy Production project. The applicant is required to submit documentation of project costs as an attachment to the application (See line 16). The applicant is required to maintain detailed documentation supporting the reported project costs. These items may be requested during the review of the application or program audit. Failure to provide requested documentation will result in denial of the application.
 - a. "Development" Costs could include but is not necessarily limited to the costs of designing the Alternative Energy Production Project.
 - b. "Equipment" Costs could include but is not necessarily limited to the cost to procure the component parts or materials of the Alternative Energy Production Project.
 - c. "Construction" Costs could include but is not necessarily limited to labor and installation costs.
10. Enter the total costs paid for the project. This is the total of Lines 9A, 9B, and 9C.
11. List all grants, subsidies or credits received or expected. Examples include Federal Residential Renewable Energy Tax Credits, American Recovery and Reinvestment Act funds or Pennsylvania Research and Development Tax Credits. Attach a separate list if additional space is required.
12. Total of grants, subsidies or credits listed in line 11 or attached sheets.
13. Subtract Line 12 from Line 10 to determine net project cost.
14. Multiply the value calculated in Line 13 by 0.15 to determine the calculated tentative amount of the tax credit. There is a maximum of \$1,000,000 for each taxpayer. This amount is tentative awaiting approval and due to the legislative maximum amount of the tax credit program for a given year. If approved tax credit amounts exceed the legislative maximum for the year, each approved tax credit will be prorated as described in the program description.
15. Additional information:
 - a. If the project generates electricity, enter the maximum capacity.
 - b. If the project results in electricity conservation, enter the expected energy savings
 - c. If jobs will be created as a result of this project, enter the number of temporary and permanent jobs created into the appropriate field. Projects such as the installation of a project in a residential structure will not typically report created jobs.
16. Attach Required Information:
 - a. Documentation supporting project description is required to be attached to the application (From Line 6):
 - i. For residential installation, a detailed invoice that includes project components is sufficient.
 - ii. For more complex projects, a project summary is requested.
 - b. Documentation of project costs (From Line 9):
 - i. For residential installation, a detailed invoice that includes costs of equipment and installation costs is sufficient.
 - ii. For more complex projects, a financial summary supporting reported costs of Development, Equipment, and Construction. Include individual costs which comprise more than 10% of the total project cost.
 - c. Documentation of Project Completion
 - i. Submit proof of final payment

- d. Submit any required final Codes Inspection Reports
 - i. If a series of Inspections are required as the project progresses, only the final inspection report is requested.
 - e. For residential projects, a detailed final invoice could be acceptable documentation for a through c (Code Inspection Reports are still required, if applicable), if:
 - i. The invoice describes the components installed and the work completed.
 - ii. Lists component and labor costs.
 - iii. The Invoice is marked as paid.
17. Enter contact information and sign and date form.
- a. If this form was completed by someone other than the applicant, enter information for Preparer. If not used, these fields may be marked "N/A" for Not Applicable.
 - b. If different than the taxpayer, list a representative to be contacted regarding questions about the application. If not used, these fields may be marked "N/A" for Not Applicable.



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OFFICE OF ENERGY AND TECHNOLOGY DEPLOYMENT

Department Use Only
POST MARK DATE: _____
Control Number: _____

**PENNSYLVANIA ALTERNATIVE ENERGY
2009 TAX CREDIT APPLICATION**

DUE DATE: SEPTEMBER 15, 2009

SEE INSTRUCTIONS BEFORE COMPLETING

I. APPLICANT INFORMATION (Type or Print Legibly)

Name: _____

Street Address 1: _____

Street Address 2: _____

City: _____ State: _____ Zip: _____

2. TYPE OF APPLICANT

- Individual or Sole Proprietorship
 Partnership
 LLP
 LLC
 S Corporation
 C Corporation
 Other: _____

3. Taxpayer Federal ID Number or Social Security Number: _____

Taxpayer Pennsylvania Department of Revenue ID Number: _____

4. PROJECT ADDRESS

Street Address: _____ County: _____

City or Town: _____ State: _____ Zip Code: _____

5. CATEGORY OF PROJECT

- Energy Production or Distribution
 Manufacturing
 Research and Development
 Rail

6. DESCRIPTION OF ALTERNATIVE ENERGY PRODUCTION PROJECT (Technology and Purpose). Ensure that sufficient information is given to document that the project falls within the definition listed for the category selected in line 4.

7. EXPECTED USEFUL LIFE OF THE PROJECT: _____

8. DATE OF PROJECT PURCHASE OR INSTALLATION: _____

COMPUTATION OF CREDIT

9. DEVELOPMENT, EQUIPMENT, AND CONSTRUCTION COSTS PAID FOR PROJECT - Attach supporting documentation for costs in each category: (Use Whole Dollars)

- A. Development Costs _____
B. Installation Costs _____
C. Construction Costs _____

10. TOTAL DEVELOPMENT, EQUIPMENT, CONSTRUCTION AND INSTALLATION COSTS PAID FOR PROJECT (SUM OF 9A, 9B AND 9C) \$ _____

11. OTHER GRANTS, SUBSIDIES OR CREDITS RECEIVED (attach additional sheet if required):

Source of Grant, Subsidy or Credit	Amount
A.	
B.	
C.	
D.	

12. TOTAL OF OTHER GRANTS, SUBSIDIES OR PAYMENTS RECEIVED OR APPLIED FOR:

Sum of 11A, 11B, 11C, & 11D and Additional Sheet	\$
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13. NET COST OF PROJECT:

Line 10 – Line 12	\$
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14. TENTATIVE AMOUNT OF TAX CREDIT:

15% of Line 13	\$
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15. LIST REQUESTED INFORMATION:

- A. If project generates electricity list nameplate capacity (KW) _____
- B. If project conserves electricity list projected savings (KW-HR/YEAR) _____
- C. If jobs are created as a result of this project, list number:
 Temporary Jobs Created: _____ Permanent Jobs Created: _____

16. REQUIRED DOCUMENTATION CHECKLIST:

- A. Documentation Supporting Project Description
- B. Documentation of Project Costs
- C. Documentation of Project Completion
- D. Copy of Final Codes Inspection

17. Under penalties of perjury, I declare that I have examined this return, including any accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Signature:		FAX Number ()		Date	
Printed Name		Telephone Number ()		E-Mail Address	
Name/Title of Preparer (if applicable)			Preparer's Address (if applicable)		
Telephone Number	Preparer's EIN or SSN	Date	City	State	Zip Code
Name/Title of Representative (if applicable)			Representative's Address (if applicable)		
Telephone Number		Date	City	State	Zip Code

FOR DEP USE

Date Received by DEP: _____

- 1. Is the Project located in the Commonwealth of Pennsylvania? Yes No
- 2. Does the project meet the definition of an Alternative Energy Production Project? Yes No
- 3. Is the expected useful life of the project at least 4 years AND does submitted information support this information? Yes No
- 4. Was the project installed in the previous tax year? Yes No
- 5. Do the submitted receipts support the reported total cost of the project and are calculations on the application correct? Yes No
- 6. Approval of Tax Credit
 Approved Denied

- 7. Calculation of actual tax credit amount.
 Tentative Amount of Tax Credit (from Line 14 of submission). \$ _____
 Tax Credit Funding Proportion _____
- Approved Tax Credit Amount** \$ _____

8. Completed By:

Printed Name: _____ Signature: _____ Date: _____