Dear [Name]:

This letter is in response to your letter dated [Date] and subsequent correspondence submitted by your authorized representatives, requesting rulings under § 25D of the Internal Revenue Code.
The facts and representations submitted are as follows:

Taxpayer, an individual, is a resident of State. Taxpayer uses the cash method of accounting and is a calendar year taxpayer.

In Year, Taxpayer purchased a solar photovoltaic panels from LLC 1. The solar panels are placed on a ground-mounted, offsite solar array located in State. The array includes other solar photovoltaic panels that are owned by other individuals. Taxpayer also purchased a partial ownership in racking equipment, inverter equipment, and wiring and other equipment and installation services required for the integration of the panels in the array and the interconnection of the array to Public Utility’s electric distribution system. Taxpayer paid $b for the panels and the related equipment and installation services. Taxpayer and the other owners are the initial owners of the array and related equipment, and LLC 1 completed installation of the array in Year.

All of the electricity that Taxpayer’s solar panels and the array generate is delivered to Public Utility. Taxpayer is a customer of Public Utility. Pursuant to the terms of Public Utility’s tariff, Public Utility calculates a net metering credit based on the aggregate amount of electricity delivered to Public Utility from the solar array. Public Utility then applies a portion of that net metering credit against amounts due from Taxpayer for Public Utility’s provision of electric services to Taxpayer’s residence.

Taxpayer and LLC 1 estimate that Taxpayer’s solar panels will produce approximately c% of the aggregate amount of electricity that Taxpayer consumes at Taxpayer’s residence. Accordingly, Taxpayer and LLC 1 expect that Taxpayer’s net metering credit generally will not offset more than the amounts that Taxpayer owes Public Utility for the provision of electric service to Taxpayer’s residence.

Taxpayer and each of the other owners of the solar panels included in the array are members of LLC 2. LLC 2 does not hold any ownership interest in Taxpayer’s panels, the array, or any of the related equipment or wiring. LLC 2 was formed to represent the common interests of its members in managing certain administrative and financial matters in connection with ownership of the panels included in the array. LLC 2 also communicates with Public Utility to provide the information Public Utility needs to calculate the net metering credit allocable to Taxpayer’s and the other owners’ respective Public Utility accounts.

Taxpayer believes that the costs related to the purchase of a solar panels are eligible for an income tax credit under § 25D. Therefore, Taxpayer plans to claim an income tax credit in an amount equal to 30% of the $b purchase price in Year.

Accordingly, you requested the following rulings:

1. The $b purchase price constitutes a “qualified solar electric property
expenditure” as defined under § 25D(d)(2) of the Code for Year; and

2. Taxpayer shall be allowed a credit against the income tax imposed under Chapter 1 of Subtitle A of the Code for Year in an amount equal to 30% of the $b purchase price.

Law and Analysis

Section 25D(a)(1) of the Code allows an individual a credit against the income tax imposed for the taxable year in an amount equal to 30% of the qualified solar electric property expenditures made by the taxpayer during such year.

Section 25D(d)(2) defines the term “qualified solar electric property expenditure” as an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit located in the United States and used as a residence by the taxpayer.

Section 25D(e)(1) allows the expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the qualified solar electric property and for piping or wiring to interconnect such property to the dwelling unit to be taken into account for purposes of § 25D.

Under § 25D(e)(8)(A), generally, for purposes of determining the tax year when the credit is allowed, an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

Section 5.02, Q&A No. 26, of Notice 2013-70, 2013-47 I.R.B. 528, provides that under certain circumstances, a purchase of solar panels that are placed on an off-site solar array may meet the definition of qualified solar electric property expenditures for purposes of § 25D.

In the current situation, Taxpayer represents that Public Utility supplies electricity to Taxpayer’s residence located in State and Taxpayer’s off-site solar panels provide electricity exclusively to Public Utility’s electrical grid. Public Utility provides Taxpayer with a credit against Taxpayer’s utility account in accordance with the net metering arrangement described above in this ruling. Furthermore, the solar panels are not expected to generate electricity in excess of the amount of electricity that will be consumed at Taxpayer’s residence.

Accordingly, based solely upon the facts submitted and representations made, we conclude that Taxpayer’s expenditure for the solar panels and the related equipment and installation services mentioned in this ruling constitute a “qualified solar electric property expenditure” under § 25D(d)(2), and Taxpayer is eligible to claim an income tax credit under § 25D in an amount equal to 30% of such expenditure in Year.
We based the rulings contained in this letter upon information and representations submitted by your representatives and accompanied by penalties of perjury statements executed by you. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Except as specifically set forth above, we express or imply no opinion regarding the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

We are sending a copy of this letter ruling to the appropriate Small Business/Self-Employed Division office. In accordance with the Power of Attorney on file with this office, we are also sending a copy of this letter ruling to your authorized representative.

Sincerely,

Jaime C. Park
Chief, Branch 6
(Passthroughs & Special Industries)

Enclosure (1):
Copy for § 6110 purposes

cc: