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Obtain tax rulings, tax procedures, tax forms and instructions, and other tax information by accessing the department's Internet home page at [www.azdor.gov](http://www.azdor.gov).

### **General Instructions**

ARS §§ 43-1090 and 43-1176 provide nonrefundable individual and corporate income tax credits for the installation of solar hot water heater plumbing stub outs and electric vehicle recharge outlets in houses or dwelling units constructed by the taxpayer. The houses or dwelling units must be located in Arizona. The tax credit applies to taxable years beginning from and after December 31, 1997.

Qualifying installations of solar hot water heater plumbing stub outs must:

- Include two insulated three-fourths inch copper pipes and at least two pairs of wires for monitoring and control purposes that project from the dwelling roof or other suitable locations and that are connected to the domestic hot water transport and storage system.
- Be located and configured to allow sufficient solar access and exposure and to allow ready installation of solar water heating devices without further expense or effort to reach, use or serve the domestic hot water system of the house or dwelling.

Qualifying installations of electric vehicle recharge outlets must be connected to the utility system by a dedicated line that:

- Is capable of operating at normal secondary voltages.
- Meets applicable local building safety codes.
- Is commensurate and consistent with electric vehicle recharging needs and methods.

The amount of the credit is equal to the lesser of \$75 or the installation cost *for each installation* of a solar hot water heater plumbing stub out or an electric vehicle recharge outlet *in each separate house or dwelling unit*.

The taxpayer that constructed the house or dwelling unit may transfer the credit for that house or dwelling unit to a purchaser or transferee. A taxpayer that transfers the credit for a house or dwelling unit must provide a written statement to the purchaser or transferee of the house or dwelling unit. The written statement must include the name of the purchaser or transferee, the address of the house or dwelling unit, and a certification that the taxpayer has elected not to claim the credit and has elected to transfer the credit to the purchaser or transferee. If the builder transfers the credits for more than

one house or dwelling unit to a purchaser or transferee, the builder must provide a separate written statement for each house or dwelling unit.

The tax credit is in lieu of a deduction for the expenses of installing the solar hot water heater plumbing stub outs and electric vehicle recharge outlets for which the credit is claimed.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed for a sole owner of the business.

If the allowable tax credit exceeds the taxes otherwise due, or if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five consecutive taxable years as a credit against subsequent years' income tax liability.

### **Specific Instructions**

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year. Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, an S corporation, or a partnership is the taxpayer's employer identification number. The TIN for an individual is the taxpayer's social security number or an IRS individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

#### **Part I - Current Taxable Year's Credit Calculation for Taxpayer That Built the House or Dwelling Unit**

##### **Line 1 and Form 319-1 -**

Complete Form 319-1 before completing Part I, line 1, of Form 319. Complete Form 319-1 to list the qualifying installations of solar hot water heater plumbing stub outs and electric vehicle recharge outlets for the taxable year. Enter the total from column (h) of the completed Form(s) 319-1 on Part I, line 1, of Form 319.

##### **Line 2 and Form 319-2 -**

Complete Form 319-2 before completing Part I, line 2, of Form 319. Complete Form 319-2 to list (a) the tax credit transfers for solar hot water heater plumbing stub outs and electric vehicle recharge outlets installed during the current taxable year; and (b) the tax credit transfers for solar hot water heater plumbing stub outs and electric vehicle recharge outlets installed in prior taxable year(s). Enter the total from column (c) of the completed Form(s) 319-2 on Part I, line 2, of Form 319.

**Line 3 -**

Subtract line 2 from line 1. Enter the difference. This is the current taxable year's credit for the taxpayer that built the house(s) or dwelling unit(s).

**Part II - Current Taxable Year's Credit for Purchaser or Transferee of the House or Dwelling Unit****Line 4 -**

Enter the total amount of the credit(s) transferred to the taxpayer as a purchaser or transferee of the house(s) or dwelling unit(s) during the current taxable year. Obtain the amount for each house or dwelling unit from the written statement(s) provided by the builder(s) of the house(s) or dwelling unit(s).

**Part III - S Corporation Credit Elections and Shareholder's Share of Credit****Line 5 - S Corporation Election for Tax Credit as Builder of House or Dwelling Unit**

S corporations must complete line 5. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Form 120S.

**Line 6 - S Corporation Election for Tax Credit as Purchaser or Transferee of House or Dwelling Unit**

S corporations that are the purchaser/transferee of a house or dwelling unit must complete line 6. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Form 120S.

**Lines 7 through 10 -**

If the S corporation elects to pass the credits through to its shareholders, it must also complete lines 7 through 10.

If the S corporation is passing the credit through to its shareholders as the builder of the house(s) or dwelling unit(s), the S corporation must complete Part I of Form 319, Form(s) 319-1, and Form(s) 319-2, if applicable. If the S corporation has received the credit(s) as a purchaser or transferee, the S corporation must also complete Part II of Form 319. Then, complete Part III, lines 7 through 10, separately for each shareholder.

Each S corporation shareholder is entitled to only a pro rata share of pass-through credit based on ownership interest in the S corporation. The total of the credit allowed to all shareholders may not exceed the amount that would have been allowed for a sole owner.

The S corporation must furnish each shareholder with a copy of the completed Form 319. Each shareholder must complete Part V, Part VI, and Part VII.

**Part IV - Partner's Share of Credit****Lines 11 through 14 -**

If the partnership is passing the credit through to its partners as the builder of the house(s) or dwelling unit(s), the partnership must complete Part I of Form 319, Form(s) 319-1, and Form(s) 319-2, if applicable. If the partnership has received the credit(s) as a purchaser or transferee, the partnership must also complete Part II of Form 319. Then, complete lines 11 through 14 separately for each partner.

Each partner is entitled to only a pro rata share of the credit based on the partner's ownership interest in the partnership. The total of the credit allowed to all partners may not exceed the amount that would have been allowed for a sole owner.

The partnership must furnish each partner with a copy of the completed Form 319. Each partner must complete Part V, Part VI, and Part VII.

**Part V - Available Credit Carryover for Taxpayer as Builder of House or Dwelling Unit**

Complete Part V only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years.

Each partner or S corporation shareholder must complete Part V for the computation of the available carryover of the credit passed through by the partnership or S corporation.

**Line 15 -**

Enter the applicable taxable years in columns (a) through (e).

**Line 16 -**

In columns (a) through (e), enter the amount of the original tax credit earned for that taxable year.

**Line 17 -**

In columns (a) through (e), enter the amount of the tax credit for the taxable year that has been previously used.

**Line 18 -**

In columns (a) through (e), subtract the amount on line 17 from the amount on line 16. Enter the difference in the applicable columns on line 18. This is the tentative carryover.

**Line 19 -**

In columns (a) through (e), enter the total amount of the tax credits that were transferred during the applicable taxable year to purchasers or transferees of the houses or dwelling units from Form(s) 319-2, column (e).

**Line 20 -**

In columns (a) through (e), subtract the amount on line 19 from the amount on line 18. Enter the difference in the applicable columns on line 20. This is the carryover available from prior taxable years.

**Line 21 -**

Add the amounts in columns (a) through (e) on line 20. Enter the total in column (f) on line 21. This is the total available credit carryover for the current taxable year.

**Part VI - Available Credit Carryover for Taxpayer as Purchaser or Transferee of House or Dwelling Unit**

Complete Part VI only if the allowable credit for prior taxable years exceeded the Arizona income tax liability for those taxable years.

Each partner or S corporation shareholder must complete Part VI for the computation of the available carryover of the credit passed through by the partnership or S corporation.

Calculate the total available credit carryover for the taxpayer as purchaser or transferee of house or dwelling unit on page 3, Part VI, lines 22 through 27.

Enter the applicable taxable year(s) in column (a) on lines 22 through 26. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 22 through 26 in column (d). Enter the total on line 27, column (d). This is the total available credit carryover for the current taxable year.

**Part VII - Total Available Credit****Line 28 -**

Enter the current year's credit for solar hot water heater plumbing stub outs and electric vehicle recharge outlets.

*Individuals, corporations and S corporations (that elected to claim the credit)* - enter the current taxable year's credit from Part I, line 3.

*S corporation shareholders* - enter the amount from Part III, line 9.

*Partners of a partnership* - enter the amount from Part IV, line 13.

**Line 29 -**

*Individuals, corporations and S corporations (that elected to claim the credit)* - enter the current taxable year's credit from Part II, line 4.

*S corporation shareholders* - enter the amount from Part III, line 10.

*Partners of a partnership* - enter the amount from Part IV, line 14.

**Line 30 -**

Enter the total available credit carryover from Part V, line 21, column (f).

**Line 31 -**

Enter the total available credit carryover from Part VI, line 27, column (d).

**Line 32 -**

Add lines 28, 29, 30, and 31. This is the total available credit which may be applied to the current taxable year's tax liability.

*Corporations and S corporations* - enter the total here and on Form 300, Part I, line 8.

*Individuals* - enter the total here and on Form 301, Part I, line 11.