

**Effective 5/1/2024**

**59-7-614 Clean energy systems tax credits -- Definitions -- Certification -- Rulemaking authority.**

(1) As used in this section:

- (a)
  - (i) "Active solar system" means a system of equipment that is capable of:
    - (A) collecting and converting incident solar radiation into thermal, mechanical, or electrical energy; and
    - (B) transferring a form of energy described in Subsection (1)(a)(i)(A) by a separate apparatus to storage or to the point of use.
  - (ii) "Active solar system" includes water heating, space heating or cooling, and electrical or mechanical energy generation.
- (b) "Biomass system" means a system of apparatus and equipment for use in:
  - (i) converting material into biomass energy, as defined in Section 59-12-102; and
  - (ii) transporting the biomass energy by separate apparatus to the point of use or storage.
- (c) "Clean energy source" means the same as that term is defined in Section 54-17-601.
- (d) "Commercial energy system" means a system that is:
  - (i)
    - (A) an active solar system;
    - (B) a biomass system;
    - (C) a direct use geothermal system;
    - (D) a geothermal electricity system;
    - (E) a geothermal heat pump system;
    - (F) a hydroenergy system;
    - (G) a passive solar system; or
    - (H) a wind system;
  - (ii) located in the state; and
  - (iii) used:
    - (A) to supply energy to a commercial unit; or
    - (B) as a commercial enterprise.
- (e) "Commercial enterprise" means an entity, the purpose of which is to produce:
  - (i) electrical, mechanical, or thermal energy for sale from a commercial energy system; or
  - (ii) hydrogen for sale from a hydrogen production system.
- (f)
  - (i) "Commercial unit" means a building or structure that an entity uses to transact business.
  - (ii) Notwithstanding Subsection (1)(f)(i):
    - (A) with respect to an active solar system used for agricultural water pumping or a wind system, each individual energy generating device is considered to be a commercial unit; or
    - (B) if an energy system is the building or structure that an entity uses to transact business, a commercial unit is the complete energy system itself.
- (g) "Direct use geothermal system" means a system of apparatus and equipment that enables the direct use of geothermal energy to meet energy needs, including heating a building, an industrial process, and aquaculture.
- (h) "Geothermal electricity" means energy that is:
  - (i) contained in heat that continuously flows outward from the earth; and
  - (ii) used as a sole source of energy to produce electricity.
- (i) "Geothermal energy" means energy generated by heat that is contained in the earth.

- (j) "Geothermal heat pump system" means a system of apparatus and equipment that:
  - (i) enables the use of thermal properties contained in the earth at temperatures well below 100 degrees Fahrenheit; and
  - (ii) helps meet heating and cooling needs of a structure.
- (k) "Hydroenergy system" means a system of apparatus and equipment that is capable of:
  - (i) intercepting and converting kinetic water energy into electrical or mechanical energy; and
  - (ii) transferring this form of energy by separate apparatus to the point of use or storage.
- (l) "Hydrogen production system" means a system of apparatus and equipment, located in this state, that uses:
  - (i) electricity from a clean energy source to create hydrogen gas from water, regardless of whether the clean energy source is at a separate facility or the same facility as the system of apparatus and equipment; or
  - (ii) uses renewable natural gas to produce hydrogen gas.
- (m) "Office" means the Office of Energy Development created in Section 79-6-401.
- (n)
  - (i) "Passive solar system" means a direct thermal system that utilizes the structure of a building and the structure's operable components to provide for collection, storage, and distribution of heating or cooling during the appropriate times of the year by utilizing the climate resources available at the site.
  - (ii) "Passive solar system" includes those portions and components of a building that are expressly designed and required for the collection, storage, and distribution of solar energy.
- (o) "Photovoltaic system" means an active solar system that generates electricity from sunlight.
- (p)
  - (i) "Principal recovery portion" means the portion of a lease payment that constitutes the cost a person incurs in acquiring a commercial energy system.
  - (ii) "Principal recovery portion" does not include:
    - (A) an interest charge; or
    - (B) a maintenance expense.
- (q) "Residential energy system" means the following used to supply energy to or for a residential unit:
  - (i) an active solar system;
  - (ii) a biomass system;
  - (iii) a direct use geothermal system;
  - (iv) a geothermal heat pump system;
  - (v) a hydroenergy system;
  - (vi) a passive solar system; or
  - (vii) a wind system.
- (r)
  - (i) "Residential unit" means a house, condominium, apartment, or similar dwelling unit that:
    - (A) is located in the state; and
    - (B) serves as a dwelling for a person, group of persons, or a family.
  - (ii) "Residential unit" does not include property subject to a fee under:
    - (A) Section 59-2-405;
    - (B) Section 59-2-405.1;
    - (C) Section 59-2-405.2;
    - (D) Section 59-2-405.3; or
    - (E) Section 72-10-110.5.
- (s) "Wind system" means a system of apparatus and equipment that is capable of:

- (i) intercepting and converting wind energy into mechanical or electrical energy; and
  - (ii) transferring these forms of energy by a separate apparatus to the point of use, sale, or storage.
- (2) A taxpayer may claim an energy system tax credit as provided in this section against a tax due under this chapter for a taxable year.
- (3)
- (a) Subject to the other provisions of this Subsection (3), a taxpayer may claim a nonrefundable tax credit under this Subsection (3) with respect to a residential unit the taxpayer owns or uses if:
    - (i) the taxpayer:
      - (A) purchases and completes a residential energy system to supply all or part of the energy required for the residential unit; or
      - (B) participates in the financing of a residential energy system to supply all or part of the energy required for the residential unit; and
    - (ii) the taxpayer obtains a written certification from the office in accordance with Subsection (8).
  - (b)
    - (i) Subject to Subsections (3)(b)(ii) through (iv) and, as applicable, Subsection (3)(c) or (d), the tax credit is equal to 25% of the reasonable costs of each residential energy system installed with respect to each residential unit the taxpayer owns or uses.
    - (ii) A tax credit under this Subsection (3) may include installation costs.
    - (iii) A taxpayer may claim a tax credit under this Subsection (3) for the taxable year in which the residential energy system is completed and placed in service.
    - (iv) If the amount of a tax credit under this Subsection (3) exceeds a taxpayer's tax liability under this chapter for a taxable year, the taxpayer may carry forward the amount of the tax credit exceeding the liability for a period that does not exceed the next four taxable years.
  - (c) The total amount of tax credit a taxpayer may claim under this Subsection (3) for a residential energy system, other than a photovoltaic system, may not exceed \$2,000 per residential unit.
  - (d) The total amount of tax credit a taxpayer may claim under this Subsection (3) for a photovoltaic system may not exceed:
    - (i) for a system installed on or after January 1, 2018, but on or before December 31, 2020, \$1,600;
    - (ii) for a system installed on or after January 1, 2021, but on or before December 31, 2021, \$1,200;
    - (iii) for a system installed on or after January 1, 2022, but on or before December 31, 2022, \$800;
    - (iv) for a system installed on or after January 1, 2023, but on or before December 31, 2023, \$400; and
    - (v) for a system installed on or after January 1, 2024, \$0.
  - (e) If a taxpayer sells a residential unit to another person before the taxpayer claims the tax credit under this Subsection (3):
    - (i) the taxpayer may assign the tax credit to the other person; and
    - (ii)
      - (A) if the other person files a return under this chapter, the other person may claim the tax credit under this section as if the other person had met the requirements of this section to claim the tax credit; or
      - (B) if the other person files a return under Chapter 10, Individual Income Tax Act, the other person may claim the tax credit under Section 59-10-1014 as if the other person had met the requirements of Section 59-10-1014 to claim the tax credit.

- (4)
  - (a) Subject to the other provisions of this Subsection (4), a taxpayer may claim a refundable tax credit under this Subsection (4) with respect to a commercial energy system if:
    - (i) the commercial energy system does not use:
      - (A) wind, geothermal electricity, solar, or biomass equipment capable of producing a total of 660 or more kilowatts of electricity; or
      - (B) solar equipment capable of producing 2,000 or more kilowatts of electricity;
    - (ii) the taxpayer purchases or participates in the financing of the commercial energy system;
    - (iii)
      - (A) the commercial energy system supplies all or part of the energy required by commercial units owned or used by the taxpayer; or
      - (B) the taxpayer sells all or part of the energy produced by the commercial energy system as a commercial enterprise;
    - (iv) the taxpayer has not claimed and will not claim a tax credit under Subsection (7) for hydrogen production using electricity for which the taxpayer claims a tax credit under this Subsection (4); and
    - (v) the taxpayer obtains a written certification from the office in accordance with Subsection (8).
  - (b)
    - (i) Subject to Subsections (4)(b)(ii) through (iv), the tax credit is equal to 10% of the reasonable costs of the commercial energy system.
    - (ii) A tax credit under this Subsection (4) may include installation costs.
    - (iii) A taxpayer is eligible to claim a tax credit under this Subsection (4) for the taxable year in which the commercial energy system is completed and placed in service.
    - (iv) The total amount of tax credit a taxpayer may claim under this Subsection (4) may not exceed \$50,000 per commercial unit.
  - (c)
    - (i) Subject to Subsections (4)(c)(ii) and (iii), a taxpayer that is a lessee of a commercial energy system installed on a commercial unit may claim a tax credit under this Subsection (4) if the taxpayer confirms that the lessor irrevocably elects not to claim the tax credit.
    - (ii) A taxpayer described in Subsection (4)(c)(i) may claim as a tax credit under this Subsection (4) only the principal recovery portion of the lease payments.
    - (iii) A taxpayer described in Subsection (4)(c)(i) may claim a tax credit under this Subsection (4) for a period that does not exceed seven taxable years after the day on which the lease begins, as stated in the lease agreement.
- (5)
  - (a) Subject to the other provisions of this Subsection (5), a taxpayer may claim a refundable tax credit under this Subsection (5) with respect to a commercial energy system if:
    - (i) the commercial energy system uses wind, geothermal electricity, or biomass equipment capable of producing a total of 660 or more kilowatts of electricity;
    - (ii)
      - (A) the commercial energy system supplies all or part of the energy required by commercial units owned or used by the taxpayer; or
      - (B) the taxpayer sells all or part of the energy produced by the commercial energy system as a commercial enterprise;
    - (iii) the taxpayer has not claimed and will not claim a tax credit under Subsection (7) for hydrogen production using electricity for which the taxpayer claims a tax credit under this Subsection (5); and
    - (iv) the taxpayer obtains a written certification from the office in accordance with Subsection (8).

- (b)
  - (i) Subject to Subsection (5)(b)(ii), a tax credit under this Subsection (5) is equal to the product of:
    - (A) 0.35 cents; and
    - (B) the kilowatt hours of electricity produced and used or sold during the taxable year.
  - (ii) A taxpayer is eligible to claim a tax credit under this Subsection (5) for production occurring during a period of 48 months beginning with the month in which the commercial energy system is placed in commercial service.
- (c) A taxpayer that is a lessee of a commercial energy system installed on a commercial unit may claim a tax credit under this Subsection (5) if the taxpayer confirms that the lessor irrevocably elects not to claim the tax credit.

- (6)
  - (a) Subject to the other provisions of this Subsection (6), a taxpayer may claim a refundable tax credit as provided in this Subsection (6) if:
    - (i) the taxpayer owns a commercial energy system that uses solar equipment capable of producing a total of 660 or more kilowatts of electricity;
    - (ii)
      - (A) the commercial energy system supplies all or part of the energy required by commercial units owned or used by the taxpayer; or
      - (B) the taxpayer sells all or part of the energy produced by the commercial energy system as a commercial enterprise;
    - (iii) the taxpayer does not claim a tax credit under Subsection (4) and has not claimed and will not claim a tax credit under Subsection (7) for hydrogen production using electricity for which a taxpayer claims a tax credit under this Subsection (6); and
    - (iv) the taxpayer obtains a written certification from the office in accordance with Subsection (8).

- (b)
  - (i) Subject to Subsection (6)(b)(ii), a tax credit under this Subsection (6) is equal to the product of:
    - (A) 0.35 cents; and
    - (B) the kilowatt hours of electricity produced and used or sold during the taxable year.
  - (ii) A taxpayer is eligible to claim a tax credit under this Subsection (6) for production occurring during a period of 48 months beginning with the month in which the commercial energy system is placed in commercial service.
- (c) A taxpayer that is a lessee of a commercial energy system installed on a commercial unit may claim a tax credit under this Subsection (6) if the taxpayer confirms that the lessor irrevocably elects not to claim the tax credit.

- (7)
  - (a) A taxpayer may claim a refundable tax credit as provided in this Subsection (7) if:
    - (i) the taxpayer owns a hydrogen production system;
    - (ii) the hydrogen production system is completed and placed in service on or after January 1, 2022;
    - (iii) the taxpayer sells as a commercial enterprise, or supplies for the taxpayer's own use in commercial units, the hydrogen produced from the hydrogen production system;
    - (iv) the taxpayer has not claimed and will not claim a tax credit under Subsection (4), (5), or (6) or Section 59-7-626 for electricity or hydrogen used to meet the requirements of this Subsection (7); and
    - (v) the taxpayer obtains a written certification from the office in accordance with Subsection (8).

(b)

- (i) Subject to Subsections (7)(b)(ii) and (iii), a tax credit under this Subsection (7) is equal to the product of:
    - (A) \$0.12; and
    - (B) the number of kilograms of hydrogen produced during the taxable year.
  - (ii) A taxpayer may not receive a tax credit under this Subsection (7) for more than 5,600 metric tons of hydrogen per taxable year.
  - (iii) A taxpayer is eligible to claim a tax credit under this Subsection (7) for production occurring during a period of 48 months beginning with the month in which the hydrogen production system is placed in commercial service.
- (8)
- (a) Before a taxpayer may claim a tax credit under this section, the taxpayer shall obtain a written certification from the office.
  - (b) The office shall issue a taxpayer a written certification if the office determines that:
    - (i) the taxpayer meets the requirements of this section to receive a tax credit; and
    - (ii) the residential energy system, the commercial energy system, or the hydrogen production system with respect to which the taxpayer seeks to claim a tax credit:
      - (A) has been completely installed;
      - (B) is a viable system for saving or producing energy from clean resources; and
      - (C) is safe, reliable, efficient, and technically feasible to ensure that the residential energy system, the commercial energy system, or the hydrogen production system uses the state's clean and nonrenewable energy resources in an appropriate and economic manner.
  - (c) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the office may make rules:
    - (i) for determining whether a residential energy system, a commercial energy system, or a hydrogen production system meets the requirements of Subsection (8)(b)(ii); and
    - (ii) for purposes of a tax credit under Subsection (3) or (4), establishing the reasonable costs of a residential energy system or a commercial energy system, as an amount per unit of energy production.
  - (d) A taxpayer that obtains a written certification from the office shall retain the certification for the same time period a person is required to keep books and records under Section 59-1-1406.
  - (e) The office shall submit to the commission an electronic list that includes:
    - (i) the name and identifying information of each taxpayer to which the office issues a written certification; and
    - (ii) for each taxpayer:
      - (A) the amount of the tax credit listed on the written certification; and
      - (B) the date the clean energy system was installed.
- (9) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules to address the certification of a tax credit under this section.
- (10) A tax credit under this section is in addition to any tax credits provided under the laws or rules and regulations of the United States.
- (11) A taxpayer may not claim or carry forward a tax credit described in this section in a taxable year during which the taxpayer claims or carries forward a tax credit under Section 59-7-614.7.

Amended by Chapter 53, 2024 General Session