

**Utah Renewable Energy Systems Tax Credit
Production Tax Credits
Instructions for Certification and Validation**

Production tax credits are available for the generation of electricity from some renewable energy systems and may be claimed on a tax return filed under either Utah Code Title 59, Chapter 7 (Corporate Franchise and Income Taxes) or Chapter 10 (Individual Income Tax Act). In order for a system to be eligible for production tax credits, the following four conditions must be met:

1. The system must generate electricity. The production tax credit is tied to the amount of electricity produced. If a system produces other forms of energy along with electricity (e.g., heat), only the electricity production is eligible for a credit.

2. The system must be a commercial energy system. A commercial energy system is defined as a renewable energy system used to supply energy to a commercial unit (any building or structure that a business entity uses to transact its business) or to sell energy as a commercial enterprise. In the case of systems generating electricity and involving multiple but interconnected energy generation systems, a commercial energy system includes all interconnected components that

- a. were assembled or constructed at approximately the same time as part of a single project, and
- b. supply electricity to a common grid interconnection point.

This includes wind farms connecting to a single substation and biomass generating systems using multiple small generators. Such combinations of intertied generators are considered to be single energy systems for purposes of applying for production tax credits.

3. The system must be either a wind, geothermal, or biomass system. A wind energy system is defined as a system of apparatus and equipment capable of intercepting and converting wind energy into mechanical or electrical energy and transferring these forms of energy by a separate apparatus to the point of use, sale, or storage. A geothermal system means a system that uses thermal energy that flows outward from the earth as the sole source of energy for producing electricity. A biomass system is defined as a system of apparatus and equipment for use in converting biomass material into fuel or electricity and transporting that energy by separate apparatus to the point of use or storage. A biomass system may use as fuel either material from a plant or tree or other organic matter that is available on a renewable basis. This includes slash and brush from forests and woodlands, animal waste, methane produced at landfills or as a byproduct of the treatment of wastewater residuals, aquatic plants, and agricultural products. A biomass system does not include a system that uses black liquor, treated woods, or biomass from municipal solid waste other than methane produced at landfills or sewage treatment plants, or a system that combusts biomass for the primary purpose of producing and using heat or mechanical energy. In order for a system to be considered a biomass system, biomass must be its primary source of energy.

4. The system must be capable of generating at least 660 kilowatts (kW) of electricity. This means that the net production capacity of the complete system must be at least 660 kW. If the system includes a generator with a capacity greater than 660 kW but power used by other elements of the system cause the net output of the system to be below 660 kW, then the system is not eligible for production tax credits. Systems smaller than 660kW of capacity are eligible for investment tax credits rather than production tax credits.

Production tax credits are accrued at the rate of 0.35 cents per kilowatt-hour (kWh) of electricity produced for the first four years (48 months) after a system is placed in commercial service. (Placed in commercial service means the earliest point in time at which a commercial energy system produces or is capable of producing at its maximum potential output and sells all or some portion of its energy output or uses some portion of its energy output for commercial activities located at the same site.)

Only the owner of a commercial energy system may claim production tax credits for that system. Lessees are not eligible for credits.

Receiving production tax credits requires three separate steps:

1. Before claiming any credits, a renewable energy system must be certified by the Utah State Energy Program (USEP) as having been installed, as being a viable energy production system, and as meeting all other relevant eligibility requirements. In order to receive certification for a system, a taxpayer must file Form PTC-1 with USEP. This form and instructions for submitting information may be found at (http://geology.utah.gov/sep/incentives/re_taxcredit/pdf/form_ptc-1.pdf) or by contacting USEP directly.
2. Once a system has been certified as eligible for credits, a taxpayer must then have the actual amount of electricity sold or used and the amount of any tax credits claimed for a given year validated by USEP. A company claiming a production tax credit must submit validation information to USEP on or before the date on which the tax return in which the credit is claimed is required to be filed with the State Tax Commission. Form PTC-2 is used to apply for validation of credits and may be found at (http://geology.utah.gov/sep/incentives/re_taxcredit/pdf/form_ptc-2.pdf) or by contacting USEP directly.
3. A taxpayer must also claim the amount of production tax credits in a given tax-year on a tax return filed with the Utah State Tax Commission. (<http://www.tax.utah.gov/>).

Detailed application requirements and procedures may be found in the Utah Administrative Code rules that apply to the renewable energy tax credits. These rules may be found on-line at <http://www.rules.utah.gov/publicat/code/r638/r638.htm>.

If you have questions or need assistance, contact USEP at 801-538-5413.

