North Carolina Interfaith Power & Light
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Renewable Energy State Tax Credits for Donors

Senate Bill 3, enacting a Renewable Energy and Energy Efficiency Portfolio Standard, was signed into law in North Carolina in 2007. One of the provisions extended the state's generous tax credit for renewable energy systems to donors making contributions to nonprofits, including faith communities, which are specifically to be used to construct, purchase, or lease renewable energy property. This 35% tax credit, which took effect January 1, 2008, applies to such installations as active space heating, combined active space and water-heating systems, passive space heating, solar water-heating systems (including solar pool-heating systems), photovoltaic (solar-electric), wind, or other renewable-energy systems, once installed.

The amount of the credit allowed is the taxpayer's share of the credit the nonprofit entity could normally claim if it were subject to tax. The taxpayer's share of the credit is calculated by dividing the taxpayer's donation by the cost of the renewable energy property constructed, purchased, or leased by the nonprofit organization and placed in service during the taxable year and then multiplying this percentage by the amount of the credit the nonprofit organization could claim if it were subject to tax. A taxpayer must take the credit in the year in which the property is placed in service, and is subject to certain prescribed limits. For a more thorough description of the credit, go to *www.dsireusa.org*, select North Carolina, and then select "Renewable Energy Tax Credit - Personal".

A nonprofit organization must keep a record of all donations it receives for the purpose of providing funds for the organization to construct, purchase, or lease renewable energy property and of the amount of the donations used for this purpose. If a nonprofit organization places renewable energy property in service that is purchased in whole or in part from donations made for this purpose, the nonprofit organization must give each taxpayer who made a donation a statement setting out the amount of the credit for which the taxpayer qualifies under this section. The statement must describe the renewable energy property placed in service and state the cost of the property, the amount of the credit the nonprofit organization could claim if it were subject to tax, and the taxpayer's share of the credit. If the donations made for the renewable energy property exceed the cost of the property, the nonprofit organization must prorate each taxpayer's share of the credit. The sum of the credits allowed under this section to taxpayers who make donations to a nonprofit organization may not exceed the amount of the credit the nonprofit organization could claim if it were subject to tax.

A taxpayer who claims such a credit based on a donation to a nonprofit organization is not allowed to deduct this donation as a charitable contribution on their state tax returns.

Source: N.C. General Assembly Session Law 2007-397, combined with information on state incentives at www.dsireusa.org. Please consult an accountant for tax advice.