

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**TO:** County Auditors and County Assessors

**FROM:** Amanda J. Stanley, Assistant Director of Communications *AJS*

**RE:** Deduction for Solar Energy Heating or Cooling System, IC 6-1.1-12-26

**DATE:** June 15, 2010

The purpose of this memorandum is to provide an overview of the solar energy heating or cooling system ("solar energy system") deduction currently available and applicable to real property and mobile/manufactured homes not assessed as real property ("mobile/manufactured home") located in the State of Indiana.

This memorandum incorporates the 2010 legislative changes, effective March 1, 2010, as provided by House Enrolled Act (HEA) 1086. This legislation amended the calculation of the deduction and provided more specificity regarding solar energy systems.

## Who qualifies?

A person who, on the date the application is filed, either:

- (1) owns the real property or mobile/manufactured home that is equipped with a solar energy system; or
- (2) is buying under a contract the real property or mobile/manufactured home that is equipped with a solar energy system.

## What type of system qualifies?

Solar energy systems including a solar thermal air system and any solar energy heating or cooling system used for:

- (1) domestic hot water or space heat, or both, including pool heating; or
- (2) preheating for an industrial process.

Property that would not be subject to assessment and taxation is not eligible for the solar energy deduction.

## **What is the deduction amount?**

The amount of the deduction equals the out-of-pocket expenditures by the owner (or a previous owner) of the real property or mobile/manufactured home for:

- (1) the components; and
- (2) the labor involved in installing the components

that are unique to the system and that are needed to collect, store or distribute solar energy.

*For example, Mr. Smith owns a property and installs a solar energy system to heat his swimming pool. The cost of the solar energy components and their installation, as evidenced by payment receipts, is \$15,000. Mr. Smith may be eligible to receive a solar energy system deduction in the amount of \$15,000.*

*Note: Prior to HEA 1086-2010, the deduction amount was the remainder of the assessed value of the real property or mobile/manufactured home with the solar energy system included, minus the assessed value of the real property or mobile/manufactured home without the system. HEA 1086-2010 amended the calculation of only the solar energy system deduction. **The wind power device, hydroelectric power device and geothermal energy heating or cooling device deductions are still calculated as they always have been.***

## **How are an owner's out-of-pocket expenditures determined?**

Owners may provide invoices or other evidence of a purchase and installation including, but not limited to, payment receipts, cancelled checks, bank statements, work orders, contracts or other similarly reliable evidence of the expenditures.

## **How can a person file for the deduction?**

A person must complete State Form 18865 or Part F (the deduction application portion) of the Sales Disclosure Form. Additionally, the individual must provide sufficient proof of out-of-pocket expenditures.

*Note: The application or Sales Disclosure Form and accompanying certification may be filed in person or by mail. If mailed, the mailing must be postmarked on or before the last day for filing.*

## **Real Property**

The application or Sales Disclosure Form must be completed and dated in the calendar year for which the person wishes to obtain the deduction and filed with the county auditor on or before January 5 of the immediately succeeding calendar year. (Therefore, if the application or Sales Disclosure Form is completed and dated on or before December 31, 2010 and filed with county

auditor on or before January 5, 2011, the solar energy system deduction application deadline would be satisfied for property taxes first due and payable in 2011).

### **Mobile/Manufactured Home**

The application or Sales Disclosure Form must be completed, dated and filed with the county auditor during the twelve (12) months before March 31 of each year for which the person wishes to obtain the deduction. (Therefore, if the application is filed before March 31, 2011, the solar energy system deduction application deadline would be satisfied for property taxes first due and payable in 2011.)

### **What is the county assessor's responsibility?**

The county assessor or township assessor, if applicable, must verify the information in the solar energy system deduction application. Upon verification by the assessor, the county auditor must allow the deduction.

If you have any questions, please contact Assistant Director of Communications Amanda Stanley at 317-233-9218 or [astanley@dlgf.in.gov](mailto:astanley@dlgf.in.gov).