

Special Notice

Intended audience: sellers and installers of solar energy systems, consumers

June 21, 2019

Sales and use tax exemption on purchases and installation of solar energy systems

A sales and use tax exemption for purchases and installation of solar energy systems that produce at least one kilowatt (kW), but no more than 100 kW AC of electricity is available July 1, 2019, through Dec. 31, 2029.

Sellers/installers of renewable energy systems

A new bill (E2SSB 5116) provides a 100% sales and use tax exemption on purchases of machinery and equipment used directly in a solar energy system if:

- The system is capable of generating at least 1 kW, but no more than 100 kW, AC of electricity.
- The machinery and equipment are purchased between July 1, 2019 and Dec. 31, 2029.

Installation charges for qualifying solar systems may also be eligible for the sales tax exemption if the installer meets certain requirements. This exemption applies to installations beginning on July 1, 2019, and completed by Dec. 31, 2029.

Qualified installers

To qualify for the sales tax exemption on the installation charges at the time of installation, the installer must:

- be registered with the Department of Labor and Industries as a contractor
- possess a current state unified business identifier (UBI) number
- possess proof of industrial insurance coverage

- possess an Employment Security Department number
- possess a state excise tax registration number
- have had no findings of violations of federal or state wage and hours laws and regulations in the past 24 months

The installer requirements will be verified in the normal course of desk and field audits. The buyer is not responsible for ensuring the seller is compliant.

How is the exemption reported?

To document the exemption at the time of sale, the buyer must provide the seller (and installer, if different from the seller) with a completed <u>Buyer's Retail Sales Tax Exemption Certificate</u>. Buyers can obtain this form on the department's website. The seller/installer must keep the completed form in their records for five years.

Sellers that file electronic returns:

The department has added a deduction line titled **Sales of Solar Machinery/Equipment**; **Install Labor** on the retail sales tax deduction page of the electronic return.

Sellers that file paper returns:

Sellers of qualifying machinery, equipment, and installation labor may take a deduction for *Other* from retail sales tax and use the explanation **Sales of Solar Machinery/Equipment; Install Labor.**

For further information

- See <u>E2SSB 5116</u>, sections 18 and 19 (Chapter 288, Laws of 2019).
- Visit our Tax Incentives page under Renewable Energy/Green Incentives.