



2011 TAX BENEFITS

Federal Tax Credit: 30% of Purchase Price

- A. Systems cost \$3,500 each
- B. $30\% = \$1,050$ Tax Credit
- C. Use Tax Form 3468 line 12b: Basis of property using solar energy placed in service during the tax year after 2005.
- D. Placed-In-Service letters will be mailed before February 1, 2012
- E. Transfer the Tax Credit to tax form 3800 and then to line 53 of form 1040.
- F. You can carryback the tax credit one year and/or forward twenty years
- G. Congress should present a bill to extend the 2010 five-year carryback benefit to 2011 later this year.
- H. The 30% Tax Credit is allowed through the end of 2016: On October 3, 2008, the House of Representatives passed H.R. 1424, the Emergency Economic Stabilization Act of 2008 by a vote of 263-171. Soon after, President Bush signed the bill into law. The U.S. Senate passed its own version of the bill on Oct. 1, 2008. This package included an 8-year extension of the commercial and residential solar investment tax credit and allowed utilities and alternative minimum tax (AMT) filers to take the credit.

Depreciation: Can claim 100% of the cost basis this year.

- A. Cost Basis: take half of the tax credit and subtract that from the purchase price.
- B. $\$3,500 - 525 = \$2,975$ depreciation per system.
- C. Use Tax Form 4562, then transfer to Schedule C and then to line 12 of form 1040.
- D. You can carryback the Net Operating Loss (NOL) from Schedule C two years and forward 20 years.
- E. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 included provisions that allow companies to elect a 100 percent through 2011. The 100 percent expensing is a way for companies with qualified, new projects to depreciate 100 percent of the capital investments placed in service after September 8, 2010 through December 31, 2011.
- F. Go to CPA Info for Depreciation Guidelines.

What are carryforwards and carrybacks?

Your solar business may qualify for a tax credit in 2011 but may not have sufficient taxable income to take advantage of it. For example, if your business has a \$20,000 tax liability but qualifies for \$100,000 in tax credits, then the first \$20,000 of the credit would be used to bring

SOLAR ENERGY TAX BENEFIT HISTORY

Provided By The SEIA (Solar Energy Industries Association)

The Energy Policy Act of 2005 (EPAct 05) created a new commercial and residential ITC for fuel cells and solar energy systems that applied from January 1, 2006 through December 31, 2007. The credit was extended for one additional year in December 2006 by the Tax Relief and Health Care Act of 2006. In 2007, global investment in clean energy topped \$100 billion, with solar energy as the leading clean energy technology for venture capital and private equity investment.

On October 3, 2008, the House of Representatives passed H.R. 1424, the *Emergency Economic Stabilization Act of 2008* by a vote of 263-171. Soon after, President Bush signed the bill into law. The U.S. Senate passed its own version of the bill on Oct. 1, 2008. In the bill are a number of provisions supporting energy efficiency and renewable energy, including all of the solar incentives advocated by SEIA.

This package includes an 8-year extension of the commercial and residential solar investment tax credit, completely eliminates the monetary cap for residential solar electric installations, and allows utilities and alternative minimum tax (AMT) filers to take the credit. In 2009, under the *American Recovery and Reinvestment Act*, the \$2,000 credit cap on solar hot water installations was eliminated

Along with the Section 48 investment tax credit, solar property also qualifies for accelerated depreciation through Dec. 31, 2016.

Accelerated Depreciation

Modified Accelerated Cost Recovery System (MACRS) is a depreciation method which allows the owner of qualifying equipment including qualifying solar equipment to deduct 85 percent of their tax basis using either the commercial ITC or the Treasury Grant Program. This form of depreciation can be claimed over a five year period.

Recent Changes: 100 Percent Expensing

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 included provisions that allow companies to elect a 100 percent through 2011 and a 50 percent bonus depreciation through 2012.

The 100 percent expensing is a way for companies with qualified, new projects to depreciate 100 percent of the capital investments placed in service after September 8, 2010 through December 31, 2011. For companies that place equipment in service after 2011, the bill contains a 50 percent bonus depreciation provision that companies can elect for qualifying property through December 31, 2012.

Solar Investment Tax Credit (ITC)

The solar Investment Tax Credit (ITC) is one of the most important federal policy mechanisms to support the deployment of solar energy in the United States. SEIA successfully advocated for a multi-year extension of the credit in 2008, which provided business certainty to project developers and investors. The ITC continues to drive growth in the industry and job creation across the country.

Quick facts

The ITC is a 30 percent tax credit for solar systems on residential (under Section 25D) and commercial (under Section 48) properties.

The multiple-year extension of the residential and commercial solar ITC has helped annual solar installation grow by over 1,600 percent since the ITC was implemented in 2006 - a compound annual growth rate of 76 percent. (See more solar industry data.)

The existence of the ITC through 2016 provides market certainty for companies to develop long-term investments that drive competition and technological innovation, which in turn, lowers costs for consumers.

What is the Solar Investment Tax Credit?

Tax policies related to renewable energy play a vital role in creating new high-wage American jobs, spurring economic growth, ensuring U.S. global competitiveness, lowering energy bills for consumers & businesses, and reducing pollution. The solar investment tax credit (ITC) reduces the tax liability for individuals or businesses that purchase qualifying solar energy technologies. As a stable, multi-year incentive, the ITC encourages private sector investment in solar manufacturing and solar project construction. The solar ITC is the cornerstone of continued growth of solar energy in the United States.

In the U.S. tax code, the ITC is a 30 percent tax credit for solar systems on residential (under Section 25D) and commercial (under Section 48) properties. Under current law, the ITC will remain in effect through December 31, 2016. It is incumbent on every member of the U.S. solar industry to be mindful of applicable laws and remain fully compliant with all statutory and regulatory requirements of the ITC and related programs. For more information on the Section 48 credit, please review this factsheet on Cost Basis for the ITC and 1603 Applications

Depreciation of Solar Energy Property

Similar to many other sectors of the economy, the U.S. Tax Code allows businesses investing in qualifying solar energy property to recover certain capital costs through income tax deductions

History of the Solar Investment Tax Credit

The Energy Policy Act of 2005 (P.L. 109-58) created a 30 percent investment tax credit (ITC) for commercial and residential solar energy systems that applied from January 1, 2006 through December 31, 2007. These credits were extended for one additional year in December 2006 by the Tax Relief and Health Care Act of 2006 (P.L. 109-432).

In 2007, global investment in clean energy topped \$100 billion, with solar energy as the leading clean energy technology for venture capital and private equity investment. The solar tax credits helped to create unprecedented growth in the U.S. solar industry from 2006-2007. The amount of solar electric capacity installed in 2007 was double the capacity installed in 2006.

The Emergency Economic Stabilization Act of 2008 (P.L. 110-343) included an eight-year extension of the commercial and residential solar ITC, eliminated the monetary cap for residential solar electric installations, and permitted utilities and companies paying the alternative minimum tax (AMT) to qualify for the credit. In 2009, under the American Recovery and Reinvestment Act (P.L. 111-5), the \$2,000 credit cap on solar hot water installations was eliminated. For more information, visit DSIRE's website for more tax information on commercial and residential systems.

TAX BENEFITS FOR JIM

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Example Based on Approximate Yearly Federal Taxes:

1. Jim pays \$84K/yr going back to last yr, this yr & next 5 years.
2. Multiply $\$84K \times 7 = \$588K$
3. Multiply $\$588K \times .0007 = 412$
4. This formula means that to optimize Jim's Tax Benefits, he should purchase 412 solar lens systems.
5. Purchase price is \$3,500 per system
6. So $\$3,500 \times 412 = \$1,442,000$
7. The Down Payment is \$1,050 Per System
8. So $\$1,050 \times 412 = \$432,600$ for the Down Payment
9. However, we only require 10% of the Down Payment upfront
10. So $10\% \text{ of } \$432,600 = \$43,260$
11. The balance of the Down Payment is paid as you use the systems for your taxes.
12. The balance of your Purchase Price is paid through the revenue generated by the sale of power of Jim's systems.

Jim's Tax Benefits from the ARRA Passed by Congress:

1. Jim gets a 30% tax credit. Systems placed in service this year.
2. So $30\% \text{ of } \$1,442,000 = \$432,600$ in tax credits
3. The IRS states that solar tax credits can be carried back one year and forward 20 years. Therefore, Jim could amend his 2010 taxes, use some tax credits this year and carry forward the rest the next five years.
4. Use IRS Tax Forms 3468, 3800 and page two of the 1040 Form.
5. This year the IRS allows a 100% Bonus Depreciation of new solar equipment purchases used in a business.
6. Take half of the tax credit = $\$216,300$ and subtract that from the purchase price: $\$1,442,000 \text{ minus } \$216,300 = \$1,225,700$; depreciate this amount this year.
7. Use IRS Forms 4562, Schedule C and then the first page of your 1040 Form.
8. Depreciation/NOL can go back two years and carried forward 10+ years.
9. NET EFFECT: The $\$1,225,700$ depreciation and the $\$432,600$ in tax credits should be enough to zero out your 2010 through 2016 federal taxes and also give you a 5% Utah State tax benefit. Also, your 2009 taxes, if amended, may give you a sizable refund. All in all, for your total down payment of $\$432,600$, Jim could get back or save a total of nearly $\$700,000$.

How It Could Work for Jim in the First Year

1. Make your upfront payment of $\$43,260$ this year
2. Then in May when you get your tax refund, give us double your upfront money plus 70% of your 2009 refund if any. You pocket the rest and that could be around $\$70K$.
3. Then use the same strategy in the following years until your down payment is fully paid.
4. If for some reason, your income becomes less, then just pay for the systems actually used using the .0007 formula or carry forward another year or two.

Other Monetary Benefits

FOR AVERAGE DUAL INCOME FAMILY

Gross Income = $\$110,000$
Taxable Income: $\$60,600$ Taxes: $\$8,250$ Withholding: $\$690$

Example Based on Average Joint Income Family

1. Family pays $\$8500$ in taxes each year
2. Multiply $\$8500 \times 7 = \$59,500$
3. Multiply $59,500 \times .0007 = 41.65$ round up = 42
4. This formula optimizes the Family's tax benefits. They should purchase 42 systems.
5. Purchase Price is $\$3,500$ per system.
6. So $\$3,500 \times 42 = \$147,000$
7. The Down Payment is $\$1050/\text{system}$
8. So $\$1050 \times 42 = \$44,100$
9. We only require 10% of the Down Payment Up Front
10. $10\% \text{ of } \$44,100 = \$4,410$.
11. The balance of the Down Payment is paid as you use the systems for your taxes.
12. The balance of the Purchase Price is paid through the revenue generated by the sale of power.

Tax Benefits from Congressional Legislation:

1. 30% tax credit for systems placed in service
2. $30\% \text{ of } \$147,000 = \$44,100$.
3. The IRS states that solar tax credits can be carried back one year and forward 20 years. Therefore, Family could amend 2010 taxes, use some tax credits this year and carry forward the rest the next five years.
4. Use IRS Tax Forms 3468, 3800 and page two of the 1040 Form.
5. This year the IRS allows a 100% Bonus Depreciation of new solar equipment purchases used in a business
6. Take half of the tax credit = $\$22,050$ and subtract that from the purchase price: $[\$147,000 - \$22,050 = \$124,950]$; depreciate this amount this year.
7. Use IRS Forms 4562, Schedule C and then the first page of your 1040 Form.
8. Depreciation/NOL can go back two years and carried forward 10+ years.
9. NET EFFECT: The $\$124,950$ depreciation and the $\$44,100$ in tax credits should be enough to zero out your 2010 through 2016 federal taxes and also give you a 5% Utah State tax benefit. Also, your 2009 taxes, if amended, may give you a sizable refund. All in all, for your total down payment of $\$147,000$, the family could get back or save a total of nearly $\$225,000$.

How It Might Work the First Year

1. Make your upfront payment of $\$4,410$ this year
2. Then in May when you get your tax refund, give us double your upfront money plus 70% of your 2009 refund if any. You pocket the rest and that could be around $\$7,750$.
3. Then use the same strategy in the following years until your down payment is fully paid.
4. If for some reason, your income becomes less, then just pay for the systems actually used using the .0007 formula or carry forward another year or two.

Other Monetary Benefits

QUARTERLY TAXES

STOP-LOOK-LISTEN DO NOT PAY ANY QUARTERLY TAXES

Here's Why: Look at John's example. He is scheduled to pay \$10,000 every quarter, but instead he plans to purchase seven Alternative Energy Systems every quarter.

- A. The seven systems require a down payment of $\$1,050 \times 7 = \$7,350$ but you only need to pay \$735 now with the balance due AFTER you get your tax refunds in 2012 or before May 1, 2012.
- A. So John's choice is to pay \$10,000 to the IRS or \$735 to purchase systems

What John Gets:

- A. Seven systems yield a tax credit of \$7,350
- B. The 100% depreciation allowed yields \$20,825 in depreciation
- C. This more than satisfies the \$10,000 tax obligation plus an additional \$1,500
- D. At tax time in 2012, John will owe nothing to the IRS, but he will owe us \$6,615.
- E. In addition, John can amend his 2006 taxes and get the IRS to send him a \$1,500 check.

John's Bottom Line:

- A. John pays us \$7,350 and receives \$11,500 in tax benefits
- B. John makes \$4,150 each quarter using redirected tax dollars.
- C. John gets to use \$6,615 of his own money for a few months instead of the IRS.

Finer Points:

- A. John can put the \$6,615 to use like a C.D. or other business uses. However, John should exercise caution. If he loses the \$6,615 and can't pay us, he will have to pay the IRS \$10,000.
- B. John can purchase even more systems like 10 or 20 a quarter. These extra systems will provide even more tax credits. These credits can then be used to amend previous tax years and recapture those taxes including Alternative Minimum Taxes that were paid. For 2011, taxpayers can enjoy being able to carryback five years (2006, 2007, 2008, 2009 and 2010).
- C. John can do this plan April 18th and September 15th, but must do the other two quarters by December 15th to qualify for the full 2011 tax benefits.

John's Current Strategy After Analyzing Our Entire Program:

- A. John has now decided to purchase 25 systems each quarter for a total of 100 systems.
- B. This will allow him to recapture \$105,000 in taxes already paid in previous years.
- C. This will zero out his taxes for 2011.
- D. He will carry forward an in-pocket benefit of \$20,000 because of Net Operating losses arising from the depreciation of his systems.
- E. His 100 systems will pay him \$15,000 a year for the first five years of full operation and \$6,800 a year for the next 30 years after that.

WAIT: THIS SOUNDS TOO GOOD TO BE TRUE

Many people say this. Agreeing is House Budget Committee Chairman Paul Ryan who heads up the Republican huge tax cut proposals. He wants to do away with these renewable energy tax benefits and calls them excessive. The Democrats and President Obama want to leave them in.

Bottom Line: These extraordinary one-time renewable energy tax benefits are good for sure this year. No matter what. Take advantage.

DEPRECIATION

Depreciation is an annual income tax deduction that could allow an owner of energy equipment to recover the purchase cost. The tax code acknowledges that hard assets such as energy equipment wear out and lose value over time. Thus, depreciation is an allowance that accrues over time for the wear and tear, deterioration, or obsolescence of the property. You can depreciate most types of tangible property, such as buildings, machinery, vehicles, and equipment.

To be depreciable, the property must meet all of the following requirements:

- 1) it must be property you own;
- 2) it must be used in your business or income-producing activity;
- 3) it must have a determinable useful life;
- 4) it must be expected to last more than one year after being placed in service.

Claiming Depreciation

A taxpayer can start claiming depreciation of an asset as soon as his or her property is placed in service. Property is placed in service when it is ready and available for a specific use, whether in a business activity, an income-producing activity, a tax-exempt activity, or a personal activity. This does not mean you have to be using the property; just that it is ready and available for its specific use.

If the equipment is ready and available for ANY income producing activity, including leasing it out for advertising purposes, the owner may start claiming depreciation on the asset. When you purchase your lenses you will get a certificate from IAS showing your lenses have been placed in service.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (ARRA) provides a number of tax incentives for businesses. Most of the tax incentives for businesses are found in Subtitle C of Division B, Title I of ARRA. In addition, some of the energy incentives, contained in Subtitle B, provide tax relief for businesses.

(Business Provisions of the American Recovery and Reinvestment Act of 2009 (ARRA); FS-2009-11, May 2009)

This piece of legislation is what allows us to take 100% depreciation of the lenses in the first year.

The following information is copied directly from the IRS website: <http://www.irs.gov>

Accelerated Depreciation

Modified Accelerated Cost Recovery System (MACRS) is a depreciation method, which allows the owner of qualifying equipment including qualifying solar equipment to deduct 85 percent of their tax basis using either the commercial ITC or the Treasury Grant Program. This form of depreciation can be claimed over a 5 year period. (Deducting 85% is the same as taking half of your tax credit and subtracting that figure from the purchase price.)

Recent Changes: 100 Percent Expensing

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 included provisions that allow companies to elect a 100 percent through 2011 and a 50 percent bonus depreciation through 2012.

The 100 percent expensing is a way for companies with qualified, new projects to depreciate 100 percent of the capital investments placed in service after September 8, 2010 through December 31, 2011. For companies that place equipment in service after 2011, the bill contains a 50 percent bonus depreciation provision that companies can elect for qualifying property through December 31, 2012.

Active/Passive Rules

The IRS requires that you have an ongoing solar business in order to be considered active and thus be eligible to qualify for the depreciation of your purchased system. However, as a sole proprietor and owner of solar lenses with the intent to generate revenue, your responsibility to be active is to do the majority of the work. In the unlikely event the IRS would ask you to prove your hours, you should mark down your hours on a calendar and keep all the e-mails that are sent to you from RaPower3.

Frequently Asked Questions (FAQs)

Q: There is potential for huge dollar amounts for depreciation with this program. Therefore, there is potential for many more dollars than can be applied against personal or business income in the purchase year. When there is left over depreciation how can that be handled going forward? Can it be applied against income in future years? What are the IRS rules? Can depreciation be "carried forward"?

A: Technically no, depreciation cannot be carried forward. However, when the depreciation form 4562 is brought over to the Schedule C, then it becomes a NOL (Net Operating Loss) and that CAN be carried forward. So while depreciation cannot be carried forward, the benefits can be carried forward through the loss taken.

Q: What percentage of the purchase can I depreciate this year?

A: For 2011, you are entitled to depreciate 100% in the first year through accelerated depreciation. With the new tax cut incentives (H.R. 4853) passed in December of 2010 by Congress and President Obama, the IRS will now allow a 100% Special Depreciation (minus half your tax credit) on your Solar Property in the first year:

Modified Accelerated Cost Recovery System (MACRS) is a depreciation method, which allows the owner of qualifying equipment including qualifying solar equipment to deduct 85 percent of their tax basis using either the commercial ITC or the Treasury Grant Program. This form of depreciation can be claimed over a 5-year period. Recent changes: 100 Percent Expensing, The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 included provisions that allow companies to elect a 100 percent through 2011 and a 50 percent bonus depreciation through 2012.

The 100 percent expensing is a way for companies with qualified, new projects to depreciate 100 percent of the capital investments placed in service after September 8, 2010 through December 31, 2011. For companies that place equipment in service after 2011, the bill contains a 50 percent bonus depreciation provision that companies can elect for qualifying property through December 31, 2012. However, in 2012, the bonus depreciation will revert back to 2009 levels.

The new forms can be printed by going to <http://www.irs.gov>.

Q: Do we know yet if the 100% depreciation will also apply for the 2012 tax year?

A: Right now the 100% depreciation is only good this year, but congress could change that later this year. In 2012, the depreciation will revert back to the 2009 system, which has a 50% bonus depreciation along with the five-year depreciation schedule. So, in effect, it would be a 60%

depreciation.

We encourage you to verify all of the above information with your own CPA and/or tax attorney. You may also go to the Solar Energy Industries Association website, <http://www.seia.org>, for further documentation.

TYPICAL TEACHING COUPLE

Taxable Income: \$68,900

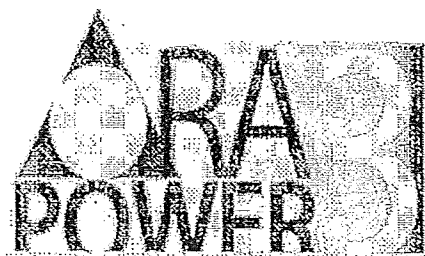
Taxes: \$9,600

Withholding: \$800

Bottom line figures are:

TAX CREDITS		\$ 7,200
Depreciation Adjustment to Income	\$12,240	
Produces a Tax Reduction of	\$ 1,709	
IRS REFUND:		\$ 7,534
GUARANTEED BY CONGRESS		\$ 14,734
RESIDUAL INCOME (8 SYSTEMS)		\$ 1,200
BONUS (8 SYSTEMS)		\$ 64,000
	Total	\$ 79,934
35 Year Residuals	\$42,000	
	Total	\$ 121,934

GO GREEN - STOP TAXES - MAKE \$\$\$



Get this number low enough for zero taxes please

Form 1040-SS (2011)

Tax Credits

30a ☐ Amount from line 30a (adjusted gross income)

30b ☐ Check ☐ You were born before January 2, 1947. ☐ Blind. ☐ Total bases

30c ☐ If you should itemize on a separate return or you were a dual-status spouse, check here ☐ Blind. ☐ checked ☐ 30d ☐ 30e ☐ 30f ☐ 30g ☐ 30h ☐ 30i ☐ 30j ☐ 30k ☐ 30l ☐ 30m ☐ 30n ☐ 30o ☐ 30p ☐ 30q ☐ 30r ☐ 30s ☐ 30t ☐ 30u ☐ 30v ☐ 30w ☐ 30x ☐ 30y ☐ 30z ☐ 30aa ☐ 30ab ☐ 30ac ☐ 30ad ☐ 30ae ☐ 30af ☐ 30ag ☐ 30ah ☐ 30ai ☐ 30aj ☐ 30ak ☐ 30al ☐ 30am ☐ 30an ☐ 30ao ☐ 30ap ☐ 30aq ☐ 30ar ☐ 30as ☐ 30at ☐ 30au ☐ 30av ☐ 30aw ☐ 30ax ☐ 30ay ☐ 30az ☐ 30ba ☐ 30bb ☐ 30bc ☐ 30bd ☐ 30be ☐ 30bf ☐ 30bg ☐ 30bh ☐ 30bi ☐ 30bj ☐ 30bk ☐ 30bl ☐ 30bm ☐ 30bn ☐ 30bo ☐ 30bp ☐ 30bq ☐ 30br ☐ 30bs ☐ 30bt ☐ 30bu ☐ 30bv ☐ 30bw ☐ 30bx ☐ 30by ☐ 30bz ☐ 30ca ☐ 30cb ☐ 30cc ☐ 30cd ☐ 30ce ☐ 30cf ☐ 30cg ☐ 30ch ☐ 30ci ☐ 30cj ☐ 30ck ☐ 30cl ☐ 30cm ☐ 30cn ☐ 30co ☐ 30cp ☐ 30cq ☐ 30cr ☐ 30cs ☐ 30ct ☐ 30cu ☐ 30cv ☐ 30cw ☐ 30cx ☐ 30cy ☐ 30cz ☐ 30da ☐ 30db ☐ 30dc ☐ 30dd ☐ 30de ☐ 30df ☐ 30dg ☐ 30dh ☐ 30di ☐ 30dj ☐ 30dk ☐ 30dl ☐ 30dm ☐ 30dn ☐ 30do ☐ 30dp ☐ 30dq ☐ 30dr ☐ 30ds ☐ 30dt ☐ 30du ☐ 30dv ☐ 30dw ☐ 30dx ☐ 30dy ☐ 30dz ☐ 30ea ☐ 30eb ☐ 30ec 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Thank you for coming to this page to learn more about our RaPower3 Tax Benefit program on behalf of your client(s). The subjects discussed below are different topics that should be helpful in your research.

Please note: This is Not An Investment. It is simply a Purchase of solar energy equipment. Therefore, there is no K-I form, prospectus or securities issue. Your client will be issued a letter, at some point, stating that his/her systems have been Placed-In-Service.

This is not a purchase of solar panels for a residence, but rather a purchase of Alternative Energy Systems for commercial renewable energy projects. Energy is to be put on the grid to provide electricity to retail customers/utilities.

Finally, your client, as a result of the purchase, will have a side business either as a sole proprietor or as a LLC. In the event electricity is produced by your client's systems and an adequate power purchase agreement can be signed, income from these systems may be realized. Your client will also be a RaPower3 Distributor who will be qualified to sell systems to others and receive commissions. When commissions or income is received from the sale of power, RaPower3 will issue 1099 forms.

Your client, in purchasing systems, may be eligible for the 30% tax credit and the 50% bonus depreciation available in 2012. Each system costs \$3,500 and thus a \$1,050 tax credit per system may be available (Use tax forms 3468 and 3800). Your client may also be able to use the \$2,975 depreciation available

per system purchased (Use forms 4562 and Schedule C). Typically, you may go back one year on the tax credit and forward twenty years on the tax credit. The Depreciation and NOL is the same as any other business as far as going back and going forward. This is part of the ARRA - American Recovery and Reinvestment Act.

DEPRECIATION

Depreciation is an annual income tax deduction that could allow an owner of energy equipment to recover the purchase cost. The tax code acknowledges that hard assets such as energy equipment wear out and lose value over time. Thus, depreciation is an allowance that accrues over time for the wear and tear, deterioration, or obsolescence of the property. You can depreciate most types of tangible property, such as buildings, vehicles, and equipment.

To be depreciable, the property must meet all of the following requirements:

- 1) it must be property you own;
- 2) it must be used in your business or income-producing activity;
- 3) it must have a determinable useful life;
- 4) it must be expected to last more than one year after being placed in service.

Claiming Depreciation

A taxpayer can start claiming depreciation of an asset as soon as his or her property is placed in service. Property is placed in service when it is ready and available for a specific use, whether in a business activity, an income-producing activity, a tax-exempt activity, or a personal activity. This does not mean you have to be using the property; just that it is ready and available for its specific use.

If the equipment is ready and available for ANY income producing activity, including leasing it out for advertising purposes, the owner may start claiming depreciation on the asset. When you purchase your lenses you will get a certificate from IAS showing your lenses have been placed in service.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (ARRA) provides a number of tax incentives for businesses. Most of the tax incentives for businesses are found in Subtitle C of Division B, Title I of ARRA. In addition, some of the energy incentives, contained in Subtitle B, provide tax relief for businesses.

(Business Provisions of the American Recovery and Reinvestment Act of 2009 (ARRA);

only:

The first thing to remember, is that the individual purchased business use tangible personal property (the lenses) so they could be rented (for various reasons) and produce income for the business person. The following information is based on the business being a sole proprietorship not a Corporation or Partnership.

The Small Business/Self-Employed section of the IRS Web site (www.irs.gov) defines it as "an activity carried on for livelihood or in good faith to make a profit". Taxpayers do not need to make a profit to be in a trade or business as long as they have a good faith motive to do so.

This means that the taxpayer is in the business of renting personal property and must operate the business as a business. To be considered "operating" a business, the taxpayer needs to do the following:

- Open a business checking account
- Print business cards
- Be careful not to commingle business and personal funds
- Keep track of any business miles on their auto
- Save receipts, invoices, and other documents to back up their business income and expenses

When they prepare their federal income tax return then all income and expenses are reported on their Schedule C, which then carries over to their Form 1040.

Beginning in 1991, the IRS issued instructions for Form 1040, Schedules C and E that stated "Use Schedule C to report income and expenses from the rental of personal property, such as equipment or vehicles".

Beginning in 1992, the IRS added an instruction on the face of the Schedule E to "Report income and expenses from the rental of personal property on Schedule C or C-EZ.

Publication 334 Tax Guide for Small Business, page 21 states "If you are in the business of renting personal property (equipment, vehicles, formal wear, etc.), include the rental amount you receive in your gross receipts on Schedule C or C-EZ.

The following are court cases that reinforce the requirement of reporting the income and expenses on a Schedule C or C-EZ.

Stevenson v. Commissioner 57 T.C.M. 1032 (1989) The issue here was to determine if the petitioner's income from the rental of portable advertising signs is subject to taxation under Section 1401(a) as self employment income. The tax court stated "We hold that petitioner's income from his business of renting and selling portable advertising signs and selling related supplies is self-employment income within the meaning of Sections 1401(a) and 1402 (a) and (b)".

Walker v. Commissioner 101 T.C. 537 (1993) The issue here was to determine if equipment rental income received actually constituted compensation and must be reported on Schedule C not Schedule E. The Tax Court ruled "Therefore, we hold that all income received by petitioner from his business should have been reported on Schedule C".

— the commissions — structure ??