

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:

Index Number: 25C.00-00, 25D.00-00

, ID No.  
Telephone Number:

In Re: Request for Ruling under Sections 25C  
and 25D of the Internal Revenue Code

Refer Reply To:  
CC:PSI:B06  
PLR-147254-10  
Date:  
April 19, 2011

LEGEND

Date =  
Manufacturer =  
x =

Dear :

This is in reply to a letter dated Date and subsequent correspondence submitted on your behalf by your authorized representatives, requesting rulings under §§ 25C and 25D of the Internal Revenue Code (the Code).

The facts submitted and representations made are as follows:

You purchased and installed on your principal residence a Solar Energy System which uses solar energy to generate electricity for use by you at your principal residence. Manufacturer manufactures the Solar Energy System.

Components of the Solar Energy System for which you request rulings are as follows:

1. Solar Panels – Solar Panels (the Solar Modules) capture solar energy and are installed on the roof of your dwelling using a Mounting Kit. The Solar Modules are comprised of one or more modules and micro-converters that collect solar energy and convert it into usable electricity.

2. Solar Sub Panel – The Solar Sub Panel connects the Solar Modules to an outdoor air conditioning condensing unit (the Condensing Unit). The Solar Sub Panel routes solar-generated electricity from the Solar Modules to the Condensing Unit for the operation of the Condensing Unit.

3. Condensing Unit – The Condensing Unit is installed outside your dwelling, and operates on solar power to cool the residence. Manufacturer represented to you that the Solar Modules are not able to provide power directly to a standard air conditioning condensing unit. A standard condensing unit can only be powered by the Solar Modules after the solar electricity has been routed to the electrical panel for use by the entire electrical grid. In contrast, the Condensing Unit is designed and adapted specially to receive solar power directly from the Solar Modules. Without the Condensing Unit, a purchaser must install significant additional components to facilitate the generation of solar energy and use of this solar energy in the homeowner's residence, and the additional components would serve the same function as equivalent components of the Condensing Unit. If the Condensing Unit is not operating or if there is surplus power from the Solar Modules in excess of that needed to power the Condensing Unit, the voltage of the solar power is elevated slightly relative to the electric utility voltage in order to produce a flow of power to the home's electrical distribution panel. This power can serve any load in your residence that is connected to the general distribution panel.

4. Wiring Components – Wiring Components, including an A/C System Kit and Rooftop Junction Box connect the Solar Modules to the Condensing Unit. Manufacturer represented to you that the final installation step is the A/C run, which consists of interconnecting the A/C power from the last micro-converter to the Condensing Unit and ultimately to the electrical panel in your residence. Additional wiring components referred to as Solar Splices and A/C Extension Cables are used to install multiple Solar Modules to your roof.

According to Manufacturer's representations to you, Manufacturer determined that x percent of the cost of the Condensing Unit is attributable to costs that are allocable to the generation of solar energy and use of this solar energy in your dwelling. Manufacturer represented to you that this percentage was determined by totaling the costs of the Condensing Unit that are attributable to special modifications that allow it to operate with the Solar Energy System, relative to the total cost of the Condensing Unit (the Methodology.)

Manufacturer also made representations about the labor costs attributable to the Solar Energy System. Manufacturer represented that eligible labor costs for purposes of § 25D include costs to install the various components of the Solar Energy System and also costs related to any necessary onsite preparation for the installation of the System.

You believe that the costs you incurred for the Solar Energy System are eligible for tax credits under §§ 25C and 25D of the Code. Because of the highly technical nature of the various components that comprise the Solar Energy System, you have relied or will rely on the various representations made by Manufacturer in its certification to determine your eligibility for credits under §§ 25C and 25D.

You propose to allocate the cost of the Condensing Unit between costs that are eligible under §§ 25C and 25D based on the ratio of allocation determined by Manufacturer's Methodology. In addition, you propose to allocate any associated labor costs for the Condensing Unit using the same ratio of allocation as determined by the Methodology but excluding any labor costs not directly connected to or required for the installation. Finally, you propose to treat all other costs associated with the Solar Energy System (including any associated labor costs, but excluding any labor costs not directly connected to or required for the installation) as "qualified solar electric property expenditures" for purposes of § 25D.

Accordingly, you request the following rulings:

(i) The proposed Methodology for allocating the costs of the Condensing Unit between §§ 25C and 25D of the Code, including the allocation of any associated labor costs, is an acceptable methodology of allocation under §§ 25C and 25D.

(ii) Other than the Condensing Unit, the expenditures for the components of the Solar Energy System listed in this ruling, are "qualified solar electric property expenditures" for purposes of the residential energy efficient property credit under § 25D.

For property placed in service in tax years 2009 and 2010, § 25C(a) allows an individual a credit in an amount equal to 30 percent of the sum of (1) the amount paid or incurred by the taxpayer during such taxable year for qualified energy efficiency improvements, and (2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during such taxable year. In 2009 and 2010, the aggregate amount of credits that a taxpayer could claim under § 25C was \$1,500.

Section 25C(d)(1) defines "residential energy property expenditures," for purposes of § 25C, as expenditures made by the taxpayer for qualified energy property which is installed on or in connection with a dwelling unit located in the United States and owned and used by the taxpayer as the taxpayer's principal residence (within the meaning of § 121), and originally placed in service by the taxpayer. The term "residential energy property expenditures" includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property.

Section 25C(d)(2)(A) defines the term "qualified energy property," in part, as energy-efficient building property. Section 25C(d)(3)(C) provides that the term "energy-efficient building property" includes a central air conditioner which achieves the highest efficiency tier established by the Consortium for Energy Efficiency, as in effect on January 1, 2009.

For property placed in service in 2011, § 25C<sup>1</sup> allows a credit for a taxable year in an amount equal to the sum of (1) 10 percent of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements installed during the taxable year, and (2) the amount of the residential energy property expenditures paid or incurred by the taxpayer during the taxable year. The maximum amount of credit allowed for any item of energy-efficient building property is \$300. The maximum amount of the credit allowable to a taxpayer under § 25C for a taxable year is \$500 (\$200 in the case of amounts paid or incurred for exterior windows), reduced, in each case, by the credits allowed under § 25C for nonbusiness energy property (or exterior windows) in all previous years.

Section 6.01 of Notice 2009-53, 2009-25 I.R.B. 1095, allows a manufacturer of energy property to certify to a taxpayer that the energy property is qualified energy property under § 25C by providing the taxpayer with a certification statement that satisfies the requirements of sections 6.04, 6.05, and 6.06 of the notice. Manufacturers may provide the certification statement to taxpayers by including a written copy of the statement with the packaging of the property, in printable form on the manufacturer's website, or in any other manner that will permit the taxpayer to retain the certification statement for tax recordkeeping purposes.

Section 6.02 of Notice 2009-53 states, in part, that, except as provided in sections 6.03 and 6.08 of the notice, a taxpayer may rely on a manufacturer's certification that energy property is qualified energy property under § 25C.

Section 25D(a)(1) allows an individual a credit for the taxable year for 30 percent of the qualified solar electric property expenditures made by the taxpayer during such year.

Section 25D(d)(2) defines the term "qualified solar electric property expenditure", for purposes of § 25D, as an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit located in the United States and used as a residence by the taxpayer.

Under § 25D(e)(1), expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in § 25D(d) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of § 25D.

Section 3.02(1) of Notice 2009-41, 2009-19 I.R.B. 933, allows a manufacturer of solar electric property to certify to a taxpayer that the property meets certain requirements that must be satisfied to claim the credit under § 25D by providing the

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<sup>1</sup> The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. 111-312, 124 Stat. 3296 (2010), enacted by the Congress on December 17, 2010, amended § 25C credit for property placed in service in 2011.

taxpayer with a certification statement that satisfies the requirements of sections 3.02(3), (4), and (5) of the notice. Manufacturers may provide the certification statement to taxpayers by including a written copy of the statement with the packaging of the property, in printable form on the manufacturer's website, or in any other manner that will permit the taxpayer to retain the certification statement for tax recordkeeping purposes.

Section 3.02(2) of Notice 2009-41 states, in part, that, except as provided in section 3.02(7) of the notice, a taxpayer may rely on a manufacturer's certification in determining whether property is eligible for the credit under § 25D.

As represented by you, Manufacturer determined that  $x$  percent of the purchase price of the Condensing Unit relates to the generation of solar energy and use of this solar energy in your dwelling, and thus qualifies as a solar electric property expenditure under § 25D. Manufacturer represented to you that this percentage was determined by totaling the costs of the Condensing Unit that are attributable to special modifications that allow it to operate with the Solar Energy System, relative to the total cost of the Condensing Unit.

This allocation method employed by Manufacturer is an acceptable method to determine the costs of the Condensing Unit, including any associated labor costs, that are allocable to solar electric property for purposes of § 25D. Other than the Condensing Unit, the expenditure for the components of the Solar Energy System listed in this ruling is an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit located in the United States and used as a residence by the taxpayer.

Accordingly, based solely on the information submitted and representations made, we conclude that the Methodology for allocating the costs of the Condensing Unit between §§ 25C and 25D, including the allocation of any associated labor costs, is an acceptable methodology of allocation under §§ 25C and 25D. For purposes of claiming a portion of the Condensing Unit as qualified energy property under § 25C, the Condensing Unit must meet all requirements under § 25C, including the efficiency requirements for a central air conditioner in § 25C(d)(3)(C). To the extent allowed under Notice 2009-53, you may rely on Manufacturer's certification that a portion of the Condensing Unit is a qualified energy property under § 25C.

Expenditures for the labor costs that are allocable to the onsite preparation, assembly, or original installation of the qualified solar electric property and for piping or wiring to interconnect such property to the dwelling unit are eligible under §25D. However, for purposes of § 25C, only the labor costs for the onsite preparation, assembly, or original installation of residential energy property are eligible for the credit.

Furthermore, we conclude that you may take into account the components of the Solar Energy System as listed in this ruling and including a portion of the Condensing Unit, as “qualified solar electric property expenditures” for purposes of the residential energy efficient property credit under § 25D. To the extent allowed under Notice 2009-41, you may rely on Manufacturer’s certification that the components of the Solar Energy System are part of a qualified residential energy efficient property under § 25D.

We based the rulings contained in this letter upon information and representations submitted by you and your representatives, and accompanied by penalties of perjury statements executed by you. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Except as specifically set forth above, we express no opinion concerning the federal income tax consequences of the facts or transactions described above under any other provision of the Code. Specifically, we express no opinion on whether the percentages that Manufacturer determines based upon the Methodology are correct, and thus, we express no opinion on the accuracy of the tax credit amount. We also provide no opinion on your eligibility for a § 25C credit on a portion of the Condensing Unit.

This ruling is directed only to the taxpayer who requested it. Under § 6110(k)(3) of the Code, a letter ruling may not be used or cited as precedent.

In accordance with a power of attorney on file in this office, we are sending a copy of this letter ruling to your authorized representatives.

Sincerely,

Jaime C. Park  
Senior Technician Reviewer, Branch 6  
Office of Associate Chief Counsel  
(Passthroughs and Special Industries)

Enclosures (2):  
Copy  
Copy for § 6110 purposes

cc: