



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2007(7)

25 Sigourney Street
Hartford CT 06106-5032

SPECIAL NOTICE

2007 Legislation Granting a Connecticut Sales and Use Tax Exemption for Sales of Solar Heating Systems, Solar Electricity Generating Systems, and Ice Storage Cooling Systems

Purpose: Recently enacted legislation exempts from Connecticut sales and use taxes any sales of solar energy electricity generating systems, passive or active solar water or space heating systems, and geothermal resource systems. This legislation also exempts from the sales and use tax equipment related to the systems mentioned above and sales of services relating to the installation of the systems.

The legislation also adds an exemption for sales of ice storage systems used for cooling by a utility ratepayer who is billed by the utility on a time-of-service metering basis. Additionally, this exemption includes equipment related to ice storage systems and sales of services related to the installation of the systems.

Effective Date: Effective for sales occurring on or after July 1, 2007.

Statutory Authority: 2007 Conn. Pub. Acts 242, §68

Solar Energy Systems

Solar energy electricity generation system means a system that converts sunlight directly into electricity.

Passive solar water or space heating system means a system that collects the heat from solar energy for heating water or air in an occupied space and delivers it to where it is needed by utilizing natural convection, conduction, and radiation without the use of powered devices such as fans and pumps.

Active solar water or space heating system means a system that collects the heat from solar energy for heating water or air in an occupied space and delivers

it to where it is needed through the use of powered equipment such as circulating pumps or fans.

Some examples of items qualifying for exemption as solar energy systems and equipment related to the systems include:

- Photovoltaic modules and arrays, mounting racks and hardware, and devices used to control the operation of a solar energy system;
 - Electrical power conditioning equipment such as inverters, converters, charge controllers, voltmeter, and ammeter monitors;
 - Solar thermal collectors;
 - A dark-colored water tank exposed to sunlight;
 - Electrical or mechanical equipment to increase the usable heat in an active solar system such as pumps or fans; **and**
 - Rechargeable batteries such as lead acid batteries and nickel cadmium batteries used to store electricity.
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Geothermal Resource Systems

Geothermal resource system means a system that utilizes energy below the ground surface as a source/sink to heat or cool buildings.

Some examples of items qualifying for exemption as geothermal systems and equipment related to the systems include:

- Geothermal heat pumps, including water-to-water and water-to-air type pumps
- Piping buried underground
- Pumps to move water within pipes buried underground

Ice Storage Cooling Systems

Ice storage cooling system means a system that produces ice during off-peak electricity demand periods to use for space cooling during peak periods.

This exemption is limited to ice storage cooling system installations for utility ratepayers who are billed by the utility on a time-of-service metering basis.

Some examples of items qualifying for exemption as ice storage cooling systems and equipment related to the systems include:

- Ice making chiller;
- Insulated storage tank for ice; **and**
- Piping, pumps, and controls.

Items Not Qualifying for Exemption: The exemption applies to equipment that is integral and necessary to a system promoting energy efficiency, as described in this Special Notice, and does not apply to equipment that would be required regardless of the energy source being utilized. Therefore, permanently affixed building fixtures that are not integral and necessary to any of the systems described in this Special Notice are not eligible for the exemption.

Example 1: The amount of piping eligible for the exemption for a solar water heating system is limited to that used in collector construction and the feed and return lines between the collector and storage. Piping from the tank to the taps would be required in a conventional system and therefore is not eligible for exemption.

Example 2: Ductwork carrying heated or cooled air within a building, where the ductwork would be present without regard to a solar space heating system or ice storage cooling system, is not eligible for the exemption.

Example 3: Wiring used in photovoltaic applications eligible for exemption for a solar energy electricity generating system is limited to wiring that is integral and essential to the system. Therefore, wiring throughout the structure, where the wiring would be present without regard to the photovoltaic system, is not eligible for the exemption.

Eligible Purchasers: The exemptions apply whether the purchaser of qualifying systems or equipment is a property owner, tenant, or contractor.

Services Relating to Installation: Charges for installation of qualifying systems are exempt regardless of whether the system is installed on new or existing real property or the character of the real property as residential, commercial, industrial, or income-producing.

Certificate of Exemption: To claim the exemption from the tax, the purchaser must present **CERT-140**, *Solar Heating Systems, Solar Electricity Generating Systems, and Ice Storage Cooling Systems*, to the seller when purchasing solar energy electricity generating systems, passive or active solar water or space heating systems, and geothermal resource systems, including equipment related to the systems, and services relating to the installation of the systems; **or** an ice storage system used for cooling, including equipment related to the systems related to the installation of the systems, and services relating to the installation of the systems by a utility ratepayer who is billed by the utility on a time-of-service metering basis.. This certificate relieves the seller of the burden of proving that the property purchased is subject to the exemption when the seller accepts it in good faith from a purchaser. If the purchaser makes any use of the property other than the use stated on the certificate, the property becomes subject to tax at the time of use based upon the full purchase price.

Reporting Requirements for Retailers: Sales of solar energy electricity generating systems, passive or active solar water or space heating systems, and geothermal resource systems, including equipment related to the systems, and services relating to the installation of the systems; or an ice storage system used for cooling, including equipment related to the systems related to the installation of the systems, and services relating to the installation of the systems for a utility ratepayer who is billed by the utility on a time-of-service metering basis, are reported on Line 1 (Gross receipts from sales of goods) or Line 3 (Gross Receipts from labor and services), respectively, of **Form OS-114**, *Sales and Use Tax Return*. The exempt sales of the systems, equipment, and installation services are deducted on the back of Form OS-114.

Bulk Purchases: Some components of qualifying systems described in this Special Notice may be standard components used for general construction purposes, such as pipes, wiring, or pumps. If the purchaser is unable to designate on the CERT-140

the exact amount of the components to be installed as part of a qualifying system, the purchaser must estimate the amount of qualifying purchases and will be held strictly accountable for any use tax due the state on the components in the event of any use other than the installation of the components in a qualifying system.

The purchaser must maintain adequate records to support the purchaser's claims of exemption on CERT-140 and to show the disposition of all components so purchased.

Effect on Other Documents: Informational Publication 2006(35), *Building Contractors' Guide to Sales and Use Taxes*, is modified and superseded to the extent it applies to solar energy electricity generating systems, passive or active solar water or space heating systems, and geothermal resource systems, including equipment related to the systems, and services relating to the installation of the systems; **or** an ice storage system used for cooling by a utility ratepayer who is billed by the utility on a time-of-service metering basis, including equipment related to the systems related to the installation of the systems, and services relating to the installation of the systems.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the Department of Revenue Services (DRS).

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS website at **www.ct.gov/DRS** to download and print Connecticut tax forms; **or**
- **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS website at **www.ct.gov/DRS** and click on *File/Register OnLine*.
- **For payment of business taxes other than those listed above:** Use *Fast-File* to pay your business taxes over the Internet or by phone. Visit the DRS website at **www.ct.gov/DRS** and click on *Electronic Services* for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS website at **www.ct.gov/DRS** and click on *File/Register OnLine*.
- **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use *WebFile* to electronically file personal income tax returns over the Internet. You can also use *WebFile* to make an electronic income tax payment for a prior year. Visit the DRS website at **www.ct.gov/DRS** and click on *File/Register OnLine*.

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