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State of South Carolina  
**Department of Revenue**  
301 Gervais Street, P. O. Box 12265, Columbia, South Carolina 29211  
Website Address: <http://www.sctax.org>

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SC INFORMATION LETTER #09-16

**SUBJECT:** Solar Energy and Small Hydropower Systems Credit  
(Income Tax)

**DATE:** September 9, 2009

**REFERENCE:** S.C. Code Ann. Section 12-6-3587 (Supp. 2008)

**AUTHORITY:** S. C. Code Ann. Section 12-4-320 (2000 and Supp. 2008)  
S.C. Code Ann. Section 1-23-10(4) (2008)  
SC Revenue Procedure #09-3

**SCOPE:** An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

Code Section 12-6-3587 allows an income tax credit equal to 25% of the costs of a solar energy system or a small hydropower system purchased and installed in, or on, a facility located in South Carolina owned by the taxpayer. To qualify the system must be used for: a) heating water, b) space heating, c) air cooling, d) energy efficient daylighting, e) heat reclamation, f) energy-efficient demand response, or g) the generation of electricity. The tax credit cannot be claimed before installation is completed, and the credit may not exceed \$3,500 for each facility or 50% of the taxpayer's tax liability for the tax year, whichever is less. If the amount of the credit exceeds \$3,500 for each facility, the taxpayer may carry forward the excess for up to ten years.

For purposes of the credit, a solar energy system includes all controls, tanks, pumps, heat exchangers, and other equipment used directly and exclusively for the solar energy system. The term "system" does not include any land or structural elements of the building such as walls and roofs or other equipment ordinarily contained in the structure. To qualify for the credit, a solar energy system must be certified for performance by the nonprofit Solar Rating and Certification Corporation or a comparable entity endorsed by the State Energy Office. A "small hydropower system" means a new generation capacity on a nonimpoundment or on an existing impoundment that: (1) meets licensing standards as defined by the Federal Energy Regulatory Commission (FERC); (2) is a run-of-the-river facility with a capacity not to exceed 5MW; or (3) consists of a turbine in a pipeline or in an irrigation canal."

As a result of House Bill 3560, Part IB, Section 89, Proviso 89.114 (Act No. 23) enacted in 2009, the amount of the income tax credit is increased to 30% of the costs of purchase and installation of a qualifying solar energy system for tax year 2009 only. The increased credit amount only applies to a solar energy system and the credit remains at 25% for the costs of purchase and installation of a qualifying small hydropower systems.