

Other Side of the Story on Tax Implications of NEM Successor Policies

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In this article, Alex Zakupowsky discusses concerns related to the analysis in the Clean Coalition's recently published report titled "Net metering & feed-in tariffs: Understanding the tax implications of distributed generation policies." Zakupowsky explains how the Internal Revenue Service (IRS) should be expected to analyze the potential tax consequences of a Net Energy Metering (NET) arrangement and a Feed-In-Tariff (FIT). "The IRS understands that residential solar customers are delivering electricity to their utilities under several NEM and FIT transactional patterns," Zakupowsky said, adding that they have not yet issued guidance addressing the taxability of such arrangements. "Proponents of NEM argue a FIT produces a taxable transaction and a NEM arrangement does not," he said. "However they have not issued any guidance addressing the taxability of such arrangements. At this time it is uncertain whether they will choose to issue guidance." A transaction called a Value of Solar Tariff (VOST) is commonly mistaken for a FIT. "If a customer's sale of electricity for a credit toward the future purchase of electricity or cash is taxable under a FIT or a VOST the same should be true under a NEM arrangement," he said.