

Tax Opinion

The investment structure offered by VIAM Strategic Capital—referred to as the *Solar Tax Equity Opportunity*—leverages the acquisition of residential solar systems to offset federal income tax liability through two key incentives: the Investment Tax Credit (ITC) and accelerated depreciation. Based on our technical review, the strategy's direct system ownership model is designed to enable the investor ("System Owner") to claim both benefits.

Investment Tax Credit and Bonus Credits

Under Internal Revenue Code (IRC) Section 48, the ITC provides a federal tax credit for commercial and utility investors in qualifying solar energy property, as outlined in VIAM's strategy. The business that installs, develops, and finances the project is eligible to claim the credit. The System Owner may claim up to 50% of eligible project costs as a nonrefundable credit on their individual tax return, which includes a standard credit of 30%. To claim the standard 30% credit, the project must have a maximum net output of less than one megawatt of electrical or thermal energy. VIAM's solar systems are installed exclusively on residential buildings, each project inherently produces less than one megawatt of electrical output—well below the threshold needed to power a single home; which would qualify the system owner to claim the 30% credit.

In addition to the 30% standard credit explained above, IRC 48 includes two additional incentives in order to claim the total 50% of eligible project costs:

Domestic Content Bonus Credit (10%) – Available if the energy system is manufactured in a qualified U.S. facility with a maximum net output of less than one megawatt. VIAM meets this requirement through its third-party manufacturers, which produce domestically and within compliant facilities.

Energy Community (EC) Credit (10%) – Only available if the energy project is located in a qualifying Energy Community. EC areas fall into one of the three categories:

1. **Brownfield Sites** – Real property whose redevelopment or reuse is complicated by the presence or potential presence of hazardous substances, pollutants, or contaminants, including certain "mine-scarred" land.
2. **Statistical Areas** – Metropolitan (MSA) or non-metropolitan (non-MSA) statistical areas that (1) derive at least 0.17% of direct employment or 25% of local tax revenues from the extraction, processing, transport, or storage of coal, oil, or natural gas, and (2) have an unemployment rate at or above the national average for the previous year.

3. Coal Closure Communities – Census tracts where a coal mine has closed after 1999 or where a coal-fired electric generating unit has retired after 2009.

The U.S. Department of Energy has created an *Energy Community Tax Credit Bonus* (see appendix for map) that provides all locations of all energy communities across the United States. Many major California cities meet the Statistical area and Coal Closure criteria, which aligns with VIAM's targeted project locations.

Federal Accelerated Depreciation and Bonus Depreciation

Under VIAM's model, a System Owner will lease the solar systems to a homeowner, thereby establishing a profit motive. Because the System Owner retains operational control and bears the risk of loss, the investment generally qualifies for accelerated depreciation on the system owners behalf. Solar power generation systems are classified as five-year property under the Modified Accelerated Cost Recovery System (MACRS). The depreciable basis must be reduced by 50% of the investment tax credit (ITC) claimed. In addition, the System Owner is eligible for bonus depreciation under IRC Section 168. The *One Big Beautiful Bill Act* (OBBBA), enacted in July 2025, restored 100% bonus depreciation for qualifying property placed in service after January 19, 2025, allowing the System Owner to claim even more in tax savings through this model. Any unused tax credits may be applied to other tax years under carryback and carryforward provisions. Historically, Internal Revenue Code §39 permitted a 1-year carryback and 20-year carryforward. The Inflation Reduction Act expanded these rules for many clean energy credits by introducing §39(a)(4), which provides for a 3-year carryback and a 22-year carryforward. This extended utilization period will give System Owners more flexibility to use their credits and optimize tax planning, based upon each owner's individual tax situation.

State Accelerated Depreciation and Bonus Depreciation

Depreciation laws can vary by state, as not all states conform to federal rules; therefore, it is important to review applicable state tax laws to determine the potential impact.

Tax Savings

The System Owner's tax basis for federal tax purposes—used to calculate both credits and depreciation—is the full purchase price of the solar system, including any seller-financed note. For example, with a purchase price of approximately \$150,000, the Investment Tax Credit (ITC) and any applicable bonus credits could total about \$75,000 (50% of the project cost). The depreciable basis is calculated as the purchase price minus 50% of the ITC claimed:

$$\$150,000 - (\$75,000 \div 2) = \$112,500.$$

Based on these figures, the taxpayer could realize up to \$79,125 in combined tax benefits—consisting of \$37,500 in tax credits plus \$41,625 from depreciation (calculated at the highest marginal tax rate of 37%: $\$112,500 \times 37\% = \$41,625$)—subject to eligibility for the credits. As noted above, these figures are for federal tax purposes. There could be additional state depreciation benefit, depending on the individual states laws, which vary from state to state.

Current Tax Law Disclosure

It is important to note that the OBBBA amended provisions of the Inflation Reduction Act, which granted wind and solar tax incentives, to accelerate the phase-out of these benefits. To

take full advantage of these benefits, qualifying systems must be placed in service no later than December 31, 2027. Additionally, any unused tax credits may be applied to other tax years under carryback and carryforward provisions. Historically, Internal Revenue Code §39 permitted a 1-year carryback and 20-year carryforward. The Inflation Reduction Act expanded these rules for many clean energy credits by introducing §39(a)(4), which provides for a 3-year carryback and a 22-year carryforward. This extended utilization period will give System Owners more flexibility to use their credits and optimize tax planning, based upon each owner's individual tax situation.

WSRP Advisory LLC

WSRP Advisory LLC

The tax credit and depreciation examples above are for illustrative purposes only and assume the taxpayer has sufficient tax liability to fully utilize the credits and deductions in the year(s) available. Actual tax benefits may vary based on the taxpayer's individual circumstances, applicable federal and state tax laws, limitations on credit carryforwards, and the timing of deductions. Consultation with a qualified tax advisor is recommended.

Appendix



Source:

arcgis.netl.doe.gov/portal/apps/experiencebuilder/experience/?id=a2ce47d4721a477a8701bd0e08495e1d