**Tax appetite:** Individuals and businesses can reduce the amount of taxes owed by using tax credits. For a tax credit to have any value, though, the individual or business must actually owe taxes. If the individual or business is tax exempt or does not have sufficient income to need tax relief, the tax credits have no value. Individuals or businesses that can use tax credits to reduce the amount they owe in taxes are said to have a “tax appetite.” For example, public and nonprofit organizations are tax exempt, and therefore, do not have a tax appetite.

**Investment Tax Credit (ITC)**: Section 48 of the Internal Revenue Code defines the federal ITC. The ITC allows commercial, industrial, and utility owners of PV systems to take a one-time tax credit equivalent to 30% of qualified installed costs.

**Power purchase agreement (PPA):** A PPA is an agreement between a wholesale energy producer and a utility under which the utility agrees to purchase power. The PPA includes details such as the rates paid for electricity and the time period during which it will be purchased.

**Solar services agreement (SSA):** A solar services agreement is an agreement that the system owner will provide specific services to ensure continued solar power. The system owner designs, installs, and maintains the system (a set of solar services) and signs an agreement with the host to continue to provide maintenance and solar power.

**Renewable Energy Certificates (REC):** A renewable energy facility produces two distinct products. The first is electricity. The second is the package of environmental benefits resulting from not generating the same electricity—and emissions—from a conventional gas or coal-fired power plant. These environmental benefits can be packaged into a REC and sold separately from the electrical power. A REC represents the collective environmental benefits, such as avoided mercury, carbon dioxide (CO2), and other environmentally harmful pollutants, as a result of generating one megawatt-hour (MWh) of renewable energy.

**Securities**: A security is an investment instrument issued by a corporation, government, or other organization that offers evidence of debt or equity. Any transaction that involves an investment of money in an enterprise, with an expectation of profits to be earned through the efforts of someone other than the investor, is a transaction involving a security. Community shared solar organizers must be sure to comply with both state and federal securities regulations, and avoid inadvertently offering a security.

**Flip Structure:** In this scenario, the community Special Purpose Entity (SPE) partners with a tax-motivated investor in a new special purpose entity that owns and operates the project. Initially, most of the equity comes from the tax investor and most of the benefit (as much as 99%) would flow to the tax investor. When the tax investor has fully monetized the tax benefits and achieved an agreed-upon rate of return, the allocation of benefits and majority ownership (95%) would “flip” to the community SPE (but not within the first five years). After the flip, the community SPE has the option to buy out all or most of the tax investor’s interest in the project at the fair market value of the tax investor’s remaining interest.