

Fortified Solar

Qualified Material Participation Activities for a Single-Member LLC

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General Overview of Qualified Activities

Material participation is defined by the IRS under Treas. Reg. §1.469-5T. To meet the standard, a taxpayer must substantially and regularly participate in their business for at least 100 hours (or 500 hours if any other person involved in the business participates in the activity more during the tax year). Below is a list of qualified tasks that contribute to material participation, along with their descriptions and best documentation practices. In considering these tasks, the primary focus should be on activities that are integral to the business, not merely investor or incidental tasks.

1. Administrative & Operational Tasks

- Tasks:
 - Handling business correspondence related to day-to-day operations (emails, calls, scheduling)
 - Ordering supplies and maintaining inventory
 - Managing IT systems or software tools
 - Monitoring and analyzing construction updates for the purpose of adjusting and managing cost and timelines
- Documentation:
 - Email logs, call records, and scheduling apps
 - Receipts for office supplies and software subscriptions
 - Inventory management records

2. Sales & Marketing Management

- Tasks:
 - Creating and running advertising campaigns
 - Social media management and content creation
 - Developing marketing strategies
 - Networking and meeting with clients or partners
 - Handling client inquiries and sales calls
 - Addressing actions needed based on customer service and complaints
 - Preparing contracts and service agreements
- Documentation:
 - Advertising receipts and invoices (Google Ads, Facebook Ads, etc.)
 - Marketing calendars and strategy documents
 - Email correspondence or social media analytics reports
 - CRM logs (Salesforce, HubSpot, etc.)
 - Call logs, emails, and meeting notes
 - Signed contracts or proposals

3. Strategic & Operational Management

- Tasks:
 - Visiting and inspecting the site in order to inspect the work being done, manage progress, and direct activities at the site



- Making executive decisions on business operations with respect to both strategic and day-to-day operational decisions
- Directing finances (budgeting, pricing strategies, cost control)
- Directing tasks and overseeing employees, contractors, or vendors
- Negotiating contracts with clients or suppliers
- Documentation:
 - Business plans, financial reports, and strategy documents
 - Emails, contracts, or meeting notes showing decision-making
 - Payroll records and invoices for payments to workers

4. Product, Service and Project Management & Development

- Tasks:
 - Researching and testing new offerings
 - Developing and refining products or services
 - Implementing quality control processes
- Documentation:
 - Product development logs, prototypes, and test results
 - Invoices for software, materials, or equipment used
 - Meeting notes or project management software logs (Trello, Asana)

5. Budgeting & Financial Management

- Tasks:
 - Tracking income and expenses
 - Preparing financial statements to be used in making operational business decisions and not merely for use by oneself
 - Managing business bank accounts and reconciling transactions
- Documentation:
 - Accounting software records (QuickBooks, Xero)
 - Business bank statements and receipts
 - Tax filings and financial reports

6. Compliance & Risk Management

- Tasks:
 - Filing necessary business licenses and renewals
 - Ensuring compliance with IRS tax regulations
 - Managing contracts and legal agreements
- Documentation:
 - Business registration and licensing documents
 - Emails with attorneys or accountants
 - Tax filings and IRS correspondence



Supporting Documents Checklist

- ✓ Business Plan / Strategy Documents
- ✓ Financial Statements (Profit & Loss, Balance Sheet)
- ✓ Marketing Receipts & Analytics Screenshots
- ✓ CRM Logs (Client Communication)
- ✓ Invoices, Contracts, and Service Agreements
- ✓ Software or Product Development Logs
- ✓ Tax Filings & Business License Renewals
- ✓ Time-Tracking Logs



Detailing Participation for Solar Company Owners

Solar Business Initial Research

- Research - Compliance & Risk Management
 - Review IRS Guidelines
 - Solar associations/ benefits
- Analyze - latest news - Compliance & Risk Management
- Discuss with CPA - Budgeting & Financial Oversight
 - Discussed current financial situation as it relates to getting involved with solar. The pros/ cons from an accounting perspective.
- Discuss with Tax Advisor - Budgeting & Financial Oversight
 - Reviewed my current tax situation and how getting involved with renewable energy would affect it. The benefits of the credits I could receive from credits. Negotiated what the advisor would do for me.
- With Attorney - Compliance & Risk Management
 - Discuss entity creation, structure, etc.
- Entity Creation Research - Strategic & Operational Management
 - Link to research on
 - [Sole Proprietorship](#)
 - [LLCs](#)
 - [Single Member LLC vs. Solar Proprietorship](#)
 - [S Corps](#)
 - [LLC vs. S Corp](#)
 - [C Corps](#)
- Analyze and Consider Solar Opportunities - Contract Negotiation & Vendor Oversight
 - Reviewed options for solar businesses, including selling for residential and commercial options. Reviewed residential, commercial, and utility
- Analyze and Consider Product Options - Contract Negotiation & Vendor Oversight
 - Solar panels, inverters, offgrid, etc.

Solar Business Set Up

- Create Entity - Strategic & Operational Management
 - Formation Docs
 - EIN approval, etc.
- Business Plan - Strategic & Operational Management
 - [Solar Business Plan](#)
- Bank Account - Budgeting & Financial Oversight
 - Upload initial bank statement
- Build website - Sales and Marketing
 - Receipt



- Domain
 - Email communications
 - Social Media Page
- Networking and Referrals - Sales and Marketing
 - New solar jobs - Handling client inquiries and sales calls
 - Businesses/ strategic communication
 - Lunch receipt
- Renewable energy business opportunity - Strategic & Operational Management
 - Communications
 - Lunch receipt
 - getting SFOs to refer clients. - schedule lunches/ meals, referral links, etc. - create a lot of tools for this.
- Calendar screenshot
- Analytics of calls/ website

Solar Project Management - complete for each project as applicable

- Construction - Contract Negotiation & Vendor Oversight
 - Collect multiple quotes/ estimates
 - Compare Solar Options- Contract Negotiation & Vendor Oversight
 - Fortified
 - SunRun
 - Tesla
 - Financing Comparisons - Managing finances
 - Eclipse Financing LLC
 - Bank
 - Private
 - Operations & Maintenance Data collection - Preparing service agreements
 - What it is, why it's needed, costs, etc.
 - Shopping O&M market
 - O&M Comparisons - Preparing service agreements
 - Fortified
 - Host
 - Other
 - Purchase and Construction Agreement - Preparing / Reviewing Contracts
 - Negotiating time
 - Invoices
 - Lease agreement - Preparing / Reviewing Contracts
 - Negotiating lease time
 - Long term planning for lease
 - Review/ Due diligence
 - Construction Progress Updates - Implementing quality control processes
 - Pictures
 - Meetings



- Placed in service - Implementing quality control processes
 - Final contracts
 - Payments
- Evaluate project / next steps - Developing and Refining products or services
 - Communicate with various contractors
- Full due diligence package review - Ensuring Compliance with IRS tax regulations
 - Review with attorney/ CPA
- Handling business correspondence (emails, calls, scheduling) - Administrative and Operational Tasks
- Office equipment and supplies (Computer, paper, pens, etc) - Ordering Supplies and Maintaining Inventory
 - receipts

Solar Quarterly Updates

- Additional document/ article review
- Financial Management
 - Quarterly financial Review - Managing Budgets - income and expenses
 - Statement provided
 - Profit and Loss of company - Preparing financial statements
 - Balance Sheet - Preparing financial statements

Solar Annual Updates

- Financial Management
 - Quarterly financial Review - Managing Budgets - income and expenses
 - Statement provided
 - Profit and Loss of company - Preparing financial statements
 - Balance Sheet - Preparing financial statements
- Tax Returns - Preparing financial statements

