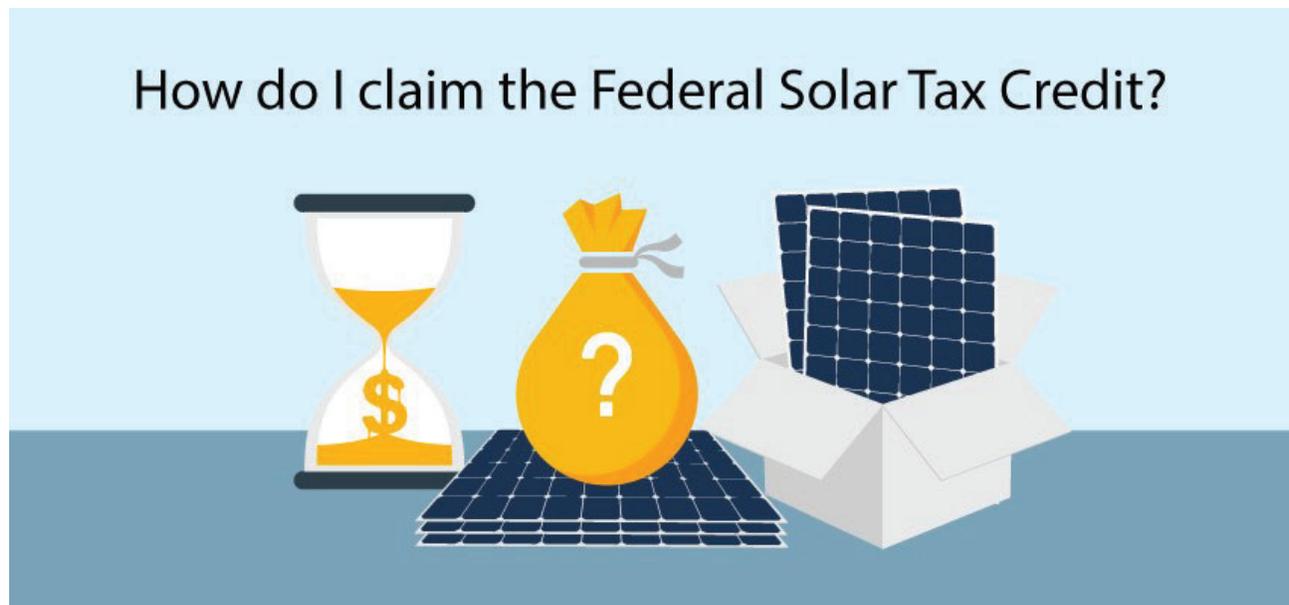


How do I claim the Federal Solar Tax Credit?

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In an effort to encourage Americans to adopt alternative energy options, federal and state governments offer lucrative tax credits to property owners who install solar energy systems. According to the US Energy Information Administration, these policies helped American facilities produce over 4.03 trillion kWh of solar energy in 2017 (<https://www.eia.gov/tools/faqs/faq.php?id=427&t=3>).

Homeowners today continue to take advantage of generous programs that make residential solar electricity systems more affordable. The most important of these is the 30 percent federal investment tax credit (ITC), commonly known as the solar tax credit.

Where the solar tax credit comes from: Energy Policy Act of 2005

On June 28, 2005, the US Senate approved the Energy Policy Act (https://afdc.energy.gov/laws/epact_2005). This large piece of legislation is geared toward improving and protecting the country's energy security. It also represents a major milestone in efforts to promote renewable resources.

(<https://www.solarreviews.com/blog/examples-of-renewable-resources-and-alternative-energy-being-used-today>)

The passage of the act led to the rapid growth of the solar industry. Find out more what this means for going residential solar energy with your utility with this solar calculator (<https://www.solarreviews.com/going-solar-with-your-utility/>).

What is the federal solar investment tax credit (ITC)?

One of the act's most important provisions is for monetary incentives. These incentives are designed to encourage voluntary participation in the renewable energy market. Homeowners are eligible for the tax credit.

Credits are issued for approved residential solar installations. Filers can receive a tax credit (<https://www.solarreviews.com/blog/category/solar-tax-credit>) equal to up to 30% of their total costs. Qualified equipment includes devices that generate electricity or heat water. That means a solar water heater, solar panel system (<https://www.solarreviews.com/blog/how-much-does-the-tesla-solar-roof-cost-and-is-it-worth-it>) to charge an electric vehicle, or a full home energy system can qualify for these funds. There is no limit to the amount taxpayers can claim.

Owners of multiple properties may be able to obtain credits for multiple residential installations. However, credits are not available for properties that exist solely as rental or investment space. For vacation homes, you can receive a credit that reflects the amount of time the owners actually reside in the space.

What solar panel tax credits are available in 2019?

In 2015, the federal government extended the availability of the 30 % solar panel tax credit through the year 2023. This allows more homeowners to realize a faster return-on-investment from their solar power systems.

However, 2019 is the last year that taxpayers qualify for the full 30% credit. After that, the credit amount reduces each year. (<https://www.energy.gov/savings/residential-renewable-energy-tax-credit>) On December 31, 2022, the credit will be restricted to a 10% deduction for commercial properties only.

Some state and local governments offer additional financial and tax incentives on solar energy installations. Check out your state's policies and incentives here (<http://www.dsireusa.org/>).

What is required to claim a solar tax credit?

In order to claim a residential or commercial federal solar tax credit, your installation must:

- Get more than half of its energy supply from photovoltaic energy.
- Be in use at the time tax paperwork is filed.
- Meet applicable fire and electrical safety codes.
- Be certified and rated by the Solar Rating and Certification Corporation (<http://www.solar-rating.org/>) or a similar organization.

Systems must be designed to provide power directly to the residence or to heat water that is used on the property. Not sure if a solar energy installation is right for your property? Use this solar calculator (<https://www.solarreviews.com/solar-calculator/>) to find out how much energy your property can produce.

How do you claim federal solar tax credits?

The US Internal Revenue Service (IRS) uses Form 5695 (<https://www.irs.gov/pub/irs-pdf/i5695.pdf>) to figure out federal solar energy tax credits. Installations that use wind or geothermal energy also qualify on this form. Include this form with your 1040 form to apply for credits in the upcoming tax year. Simply follow the directions on the form to find your allowed credit. Download the form, along with instructions, directly from the IRS website.

- Part 1 is for residential credits.
- Line 13 is your total possible tax credit.
- Line 15 represents the claimable credit based on your total tax liability. Enter this amount on Line 53 of the 1040 form.
- Line 16: Excess credits can be carried forward on this line. This amount can be claimed in the next tax year.

How does a solar tax credit affect your taxes?

For 1040 forms filed for 2018, these tax credits will reduce your taxes in 2019. If the credit is larger than your overall tax liability for the year, the excess credit will be carried forward to the succeeding taxable year. While deductions cannot exceed 30% of your total investment, there is no cap on the amount of expenses you can claim.

When do you claim the Federal Solar Tax Credit?

You claim the credit when you do your income tax return during the year following when the solar power system is installed. This is why most solar companies in the residential sector of the solar industry offer a bridging loan to cover 30% of the cost of a solar panel installation. It covers you from the time of the install until you do your taxes in the following year and can claim back the income tax credit.

Does the 30% Investment Tax Credit (ITC) make solar panels for your home worth it?

Federal tax credits make the overall cost of solar panels cheaper and shorten your solar payback period (<https://www.dnr.state.mn.us/energysmart/why/calculator.html>). This is the amount of time it takes for your solar installation to produce enough electricity to equal your initial investment. After the solar payback period, your energy production becomes positive profits.

Homeowners also realize a number of benefits from including solar in their home energy supply plan:

- Lower monthly utility bills. When a portion of your power comes from the sun, you will see lower charges on your monthly home power bills. If you produce more power than you use, your utility company may purchase that excess, thus lowering your bills even more. Check this site (<https://www.solarreviews.com/going-solar-with-your-utility/>) to find out how your utility provider handles solar power.
- Less environmental impact. Solar power reduces your carbon footprint (<https://www.carbonfootprint.com/>) and safeguards our common resources for future generations.

- Greater energy independence. Energy grid disruptions won't affect your lifestyle when you use residential solar energy. In areas where supply can fluctuate due to weather conditions, usage, and other circumstances, solar power gives you the security of an uninterrupted flow of electricity during grid outages.

Conclusion

Federal tax incentives make solar energy cheaper and more profitable for the average homeowner. Take advantage of these credits quickly to get the most out of your investment. Find a solar installer in your area (<https://www.solarreviews.com/solar-companies/>) for a personalized assessment of your property and energy options.

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Andrew Sendy is the Chairman of Solar Investments Inc and also Chairman of the largest solar panel installation company in South Australia.
