

## **Residential Clean Energy Credit**

### **What?**

- The Residential Clean Energy Credit is a federal tax credit for qualified residential solar electric solar water heating, small wind energy, geothermal heat pump, and energy storing equipment costs.
- Equipment installed in 2022 to 2032 gets a 30% credit with no limit in most cases.
- Equipment installed in 2033 gets a 26% credit with no limit in most cases.
- Equipment installed in 2034 gets a 22% credit with no limit in most cases.
- These credits are non-refundable. They can only reduce your ordinary tax to zero. They cannot reduce self-employment tax. Unused credits can be carried forward. However, prior to 2023, the rules were similar. This Information sheet pertains to the current rules.

### **Who qualifies?**

- Qualified equipment needs to be installed in the taxpayer's personal residence during the year in which the credit is claimed. This is true even if the equipment was paid for in a prior year.
- Residents must be in the United States.
- Residence can be your primary home or another home where you live during the year the equipment was installed.
- There is no upper income limit to qualify for energy credits, but low-income taxpayers with no tax will not benefit in the current year.
- Landlords and business owners cannot claim the credit for dedicated rental business property. Mixed-use property, which is personal and rental business use, qualifies for the full credit if the rental business portion is 20% or less. If rental business use is greater than 20%, then the credit is based on the portion of qualifying expenses. Allocated to non-business use only.

### **Some other rules:**

- Qualified fuel cells also count for the credit, but the home must be your main home where you live most of the time. Accordingly, the credit for fuel cells is limited based on kilowatt capacity of the equipment and the number of residents living in the home.
- Qualified expenses include labor costs, plus costs for piping/wiring to connect the equipment to the house. However, some structural/roofing components do not qualify as such. Ask the contractor what portion of the cost qualifies for the credit before agreeing to the work.
- Costs allocable to heating a swimming pool or hot tub do not qualify when calculating the amount of the credit.
- Qualifying expenses are reduced by rebates that you receive from a utility company related to the installation of the equipment. However, the money you make selling energy back to the grid does not reduce qualifying expenses.
- Qualified standalone energy storage equipment qualifies for the credit beginning in 2023.
- The equipment must be new and not used. The residents, however, can be new construction or an existing home.

### **Tips:**

Visit the Energy Star website at [www.energystar.gov](http://www.energystar.gov) for more specific information.