

The Solar Revolution

# How to Get Your Federal Solar Tax Credit Guide (2022)

# What is the solar tax credit?



The solar investment tax credit is a credit you claim on your federal income taxes.

The ITC is not a tax deduction.

Instead, it reduces what you owe in taxes.

This credit applies to the costs associated with installing a solar photovoltaic (PV) system in that tax year.

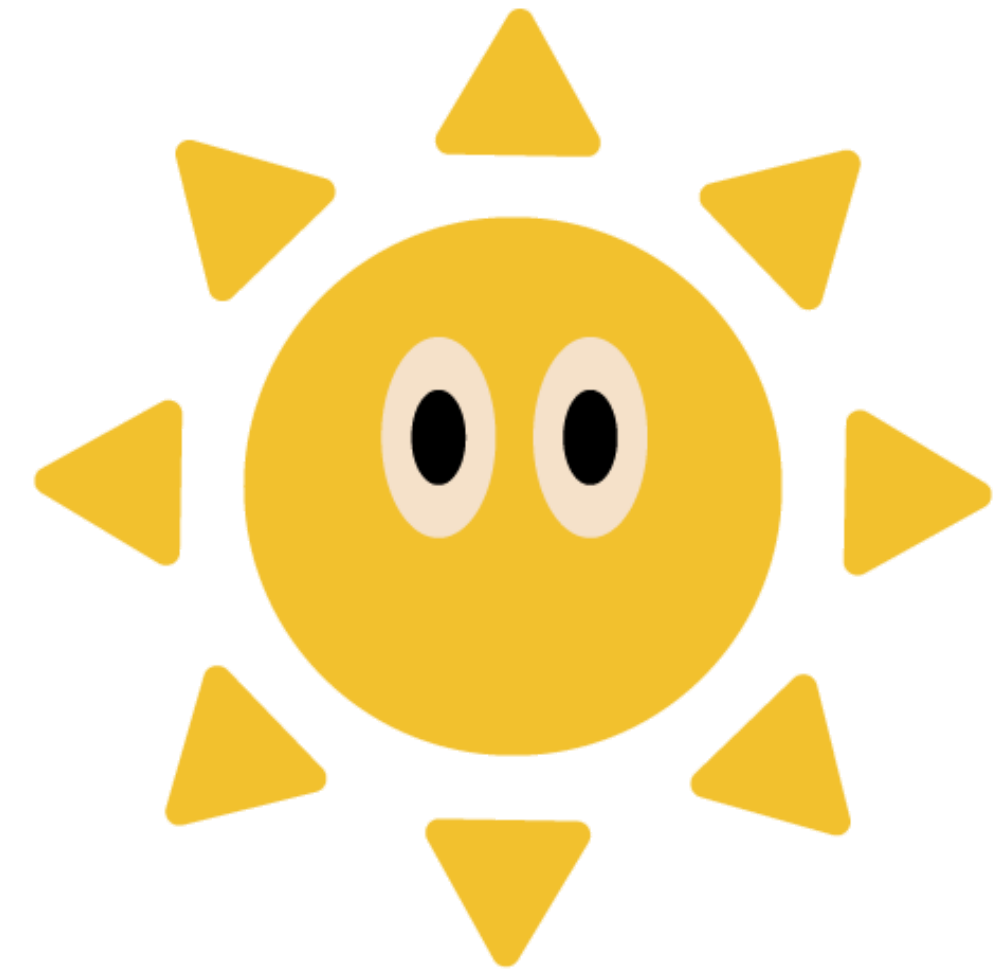
There is no maximum amount that you can claim from your solar project.

# How much is the solar tax credit?

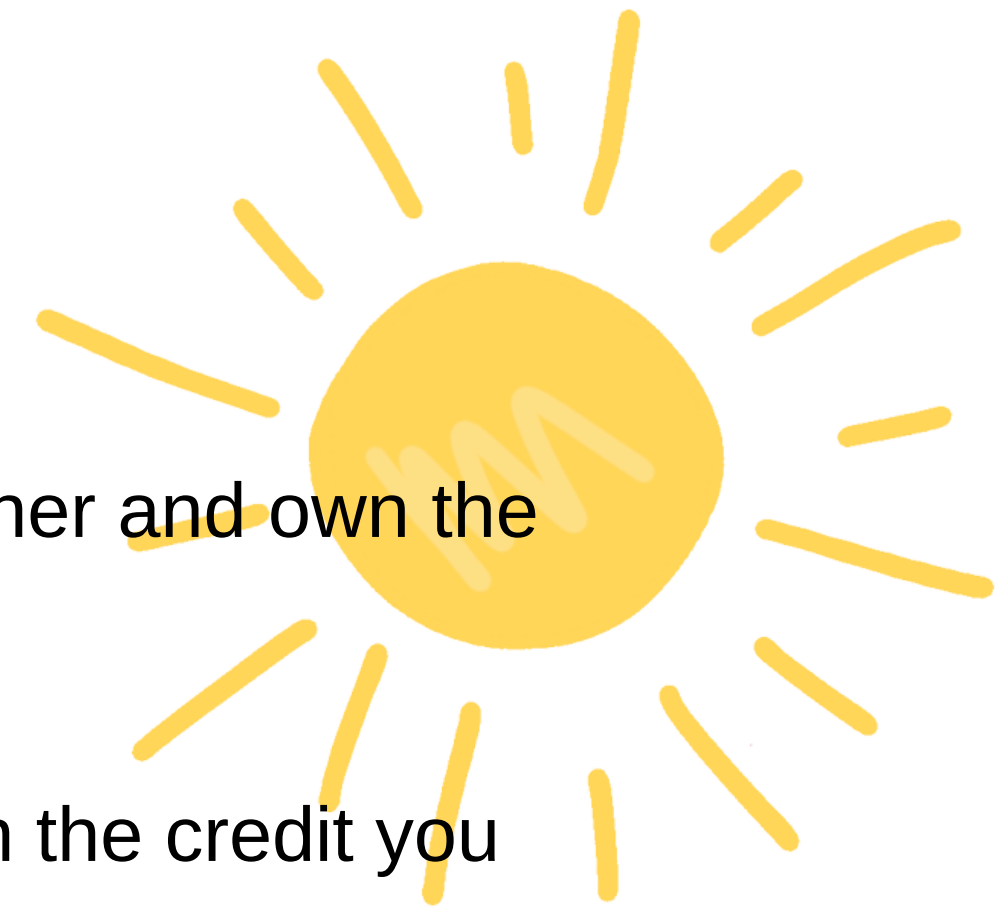
Since 2005, the federal government has incentivized homeowners to switch to solar through the solar investment tax credit (ITC), also known as the federal solar tax credit.

**Currently, this tax credit lets you claim 26% of the total cost of your solar system installation on your federal taxes.**

However, this perk may not be here to stay. Unless Congress extends the ITC, it will decrease to 22% for systems installed in 2023 and will end in 2024.



# How does the tax credit work?



You can claim the federal solar tax credit as long as you are a U.S. homeowner and own the solar panel system installed in a residence in the United States.

The tax credit rolls over for up to five years if the taxes you owe are less than the credit you earn. However, you do not receive any part of the tax credit as money back in your tax refund.

For example, if you have a solar system installed for \$19,000, the 26% tax credit saves you \$4,940 on your federal tax return the same year the system is activated.

This way, you technically pay \$14,060 for your solar power system. If your tax liability is less than \$4,940, the remainder of the credit will roll over and be applied to your federal income taxes the following year.

We recommend that taxpayers consult a tax expert and your solar provider to ensure you are correctly claiming the ITC.



# How to claim the federal solar tax credit.

You claim the solar tax incentive as part of your annual federal tax return with the Internal Revenue Service (IRS). We have listed the essential steps in claiming the credit here:

1. First, download [IRS Form 5695](#) as part of your tax return.
2. Then, on Part I of the tax form, calculate the credit. You file your solar system as “qualified solar electric property costs.” Then, on line 1, **enter your project’s total costs as written in your TSR solar contract.**
3. Complete the calculations on lines 6a and 6b.
4. On line 14, calculate any tax liability limitations using the IRS’s [Residential Energy Efficient Property Credit Limit Worksheet](#).
5. Finally, complete the calculations on lines 15 and 16. Be sure to enter the exact figure from line 15 on your Schedule 3 (Form 1040), line 5.



# Do I qualify for a solar tax credit?

The Office of Energy Efficiency & Renewable Energy (EERE) states the following criteria determines whether you can qualify to claim the federal solar tax credit:

- **Date of installation:** You installed your solar system between Jan. 1, 2006, and Dec. 31, 2023.
- **Original installation:** The solar PV system is new. The credit can be claimed only on the original installation of solar equipment and not the repurposing or reuse of an existing system.
- **Location:** The solar system is located at your primary residence or secondary home in the United States. It may also be used for an off-site community project if the electricity generated is credited against your home's electricity consumption and does not exceed it.
- **Ownership:** You own the solar PV system. You cannot claim the credit if you are leasing or in an agreement to purchase electricity generated by the system, including a solar power purchase agreement (PPA).



# What does the federal solar tax credit cover?

According to the EERE, the federal solar tax credit covers the following items:

- **Panels:** The credit covers solar PV panels or PV solar cells.
- **Additional equipment:** The credit covers other solar system components, including the balance-of-system equipment and wiring, inverters and other mounting equipment.
- **Batteries:** The ITC covers any storage devices, such as solar batteries, charged exclusively by your solar PV panels. This claim works even if the storage is activated in a subsequent tax year to when the solar energy system is installed. Storage devices are still subject to the installation date requirement.
- **Labor:** Labor costs for on-site preparation, assembly or original solar installation. Coverage also includes the permitting fees, inspection costs and developer fees.
- **Sales tax:** The credit also covers any sales taxes applied to these eligible expenses.







# Federal solar tax credit FAQs

Is there an income limit for the federal solar tax credit?

There is no income limit on the ITC. However, you need a large enough tax liability to claim the full credit. The remaining credit will roll over year to year if you do not.



# Federal solar tax credit FAQs

Can I use the federal solar tax credit if I do not owe any taxes?

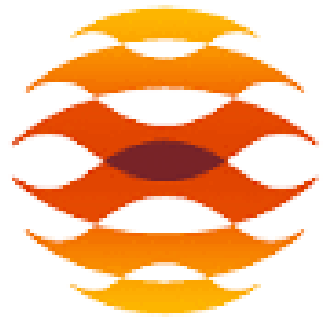
No. A tax credit offsets the balance of taxes due to the government, so if you owe no taxes, there is nothing to offset, and you can't take advantage of the ITC.



# Federal solar tax credit FAQs

Can I claim the federal solar tax credit twice?

Technically, you cannot claim the solar tax credit twice if you own a home. The unused amount of the credit will continue to roll over year to year for up to five years. If you own more than one home with solar, you might be eligible, and we recommend you consult a tax expert to determine whether you can take advantage of this.



The Solar Revolution

# We are here to help you!

If you have any questions about the costs associated with acquiring a new solar installation just ask one of the experts at The Solar Home Revolution!