

Residential Clean Energy Credit (25D)

For more information, please visit [IRS.gov/HomeEnergy](https://www.irs.gov/HomeEnergy).



EXAMPLE

Residential Solar System	\$14,000
Labor/Installation	\$4,000
Total Cost	\$18,000
Tax Credit	\$5,400
Total Cost Less Credit	\$12,600

Did you know you could save money on your utility bills and receive a tax credit for certain clean energy installations?

The amount of the credit is **30%** of the qualified expenses (including certain labor and installation) paid by the taxpayer. Do not include interest paid including loan origination fees. The credit amount is limited to 26% for 2033 and 22% for 2034.

Note: The credit amount is uncapped, except for fuel cell property, which is limited to \$500 for each half kilowatt of capacity, or a maximum of \$1,667 for each half kilowatt of capacity when more than one person lives in a home.

The Residential Clean Energy credit can apply to certain clean energy installations, including:

- Solar panels
- Battery storage technology (not less than 3 kwh)
- Solar water heaters (see standards below)
- Geothermal heat pumps (Energy Star)
- Small wind energy projects
- Fuel cell property

In general, roofing materials and costs are not covered. Solar roofing tiles/shingles that function as both roofing and solar electric collectors are covered.

Clean energy installations must be owned (not rented or leased) by the taxpayer who claims the tax credit. The eligible property may be installed at any residence the taxpayer lives in.

The residence need not be the taxpayer's primary home except for fuel cell expenditures. Landlords who are not residents of the dwelling unit may not claim this credit.

The Residential Clean Energy Credit can be applied to new construction.

If the residence is used in part for business purposes, the maximum available credit is reduced if the business use of the home is 20% or more.



To claim the credit, taxpayers must file IRS Form 5695

Individual taxpayers can claim the credit regardless of income, but the credit is nonrefundable, so the credit amount you receive can't exceed the amount you owe in tax. You can carry forward any leftover (unused) credit and apply it to reduce the tax you owe in future years.

To qualify, clean energy installations must meet the following standards

- Battery storage must have a minimum capacity of at least 3 kWh.
- Solar water heaters must be certified by the Solar Rating and Certification Corporation or a comparable entity endorsed by the government of the state where it is installed.
- Geothermal heat pumps must meet the requirements of ENERGY STAR.

Find out more about Home Energy Tax Credits and the Inflation Reduction Act at [IRS.gov/HomeEnergy](https://www.irs.gov/HomeEnergy).