



FEDERAL TAX CREDIT GUIDE

Save up to 26% off your
solar project.



WHOLESALE
SOLAR



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Introduction

If you've bought solar, you'll want to claim the federal solar tax credit and alleviate some of your tax liability!

Filing your taxes is already a hassle, and the forms for claiming residential tax credits just add another layer of complexity. We're here to help you out. This step-by-step guide helps make your filing process as easy as possible.

This guide will give you everything you need to file for your Residential Renewable Energy Tax Credit for your solar system purchase. Under the incentive program, you receive 26% of the total installed cost of your system as a credit toward any taxes you owe at the end of the year.

Topics we'll cover:

- ➔ Am I Eligible?
- ➔ How Much Can I Claim?
- ➔ How Do I File?



Am I Eligible?

Yes, You Probably Are!

If you purchased a solar system before the end of the year, and owe federal taxes in the US, you are eligible for the tax credit.

Eligible solar systems also must have been purchased after Jan 1, 2006 (so if you're buying now, you're fine!) and before the end of the most recent tax period in order to claim the credit on your tax return.

Was your system purchased:



If you meet all these criteria, you're eligible to claim the Federal Solar Tax Credit when you file.

Eligibility FAQs



Does my system need to be up and running to get the credit?

Yes. Your system needs to be installed and running in the year you wish to claim the credit. For example, if you want to claim the credit when you file your 2020 tax return, the system needs to be switched on by December 31st, 2020.

Can I split my claim between two or more years?

Yes. If you spend \$10,000 to install a system, you'd get a credit of \$2,600 (26% of the amount you spent) applied to the taxes you owe. If you only owe \$2,000 in taxes this year, you can cover the full amount with the credit and still have the remaining \$600 in credit roll over to next year.

Do the credits roll over?

Yes. You can claim a 26% credit for systems installed before the end of 2020. It drops to 22% in 2021. The credit for residential solar projects will be phased out in 2022.

How Much Can I Claim?

Covered Expenses

You can claim anything that contributes to the total expense of your solar project, from parts to permitting and contractor fees. Below are some potential expenses frequently used in solar installations.

			
COMPONENTS	SHIPPING	TOOLS	EQUIPMENT
			
HARDWARE	WIRING	PERMIT FEES	PERMIT SERVICE
			
ELECTRICIAN	ENGINEER	CONSULTANT	INSTALLER

Fill out the worksheet on the next page to add up your expenses and find your total.

Add It Up



You can work out how much you've spent with some simple math. Below is a worksheet of potential expenses. Just add them up line-by-line and total it out at the bottom.

Expense	Cost
Solar components (panels, racking, charge controller, inverter, etc.)	
Shipping cost of components	
Solar consulting fees	
Professional installer	
Electrician fees	
Engineer fees	
Tools purchased or rented	
Wiring	
Screws, bolts, nails, etc.	
Equipment purchased or rented (scaffolding, man-lift, auger, etc.)	
Permitting fees	
Permitting service costs	
Other costs	
Total	



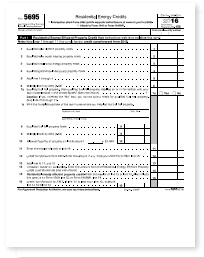
Solar Pro Tip:

Don't forget to save your receipts for these expenses!

How Do I File?

Step 1: Get The Forms

So you're eligible for the tax credit and you know how much money you spent on your solar installation. Now what? First, you need to know what forms to file. Get one of each of these three forms:

A thumbnail image of the IRS Form 5695, Residential Energy Credits. The form is titled "5695 Residential Energy Credits" and includes sections for "Part I" and "Part II". It contains various lines for reporting energy-related expenses and credits.

Form 5695

This is the Residential Energy Credits Form. We'll be paying the most attention to this one.

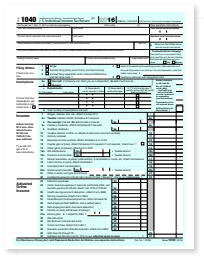
[Download 5695 Here »](#)

A thumbnail image of the IRS Form i5695, Instructions for Form 5695. The form is titled "i5695 Instructions for Form 5695" and includes sections for "General Instructions", "What's New", "Purpose of Form", and "Who Can Take the Credit". It provides detailed guidance on how to complete Form 5695.

Form i5695

This is an information form about the 5695 that contains a worksheet we'll be filling out.

[Download i5695 Here »](#)

A thumbnail image of the IRS Form 1040, Individual Income Tax Return. The form is titled "1040 Individual Income Tax Return" and includes sections for "Part I", "Part II", "Part III", and "Part IV". It contains various lines for reporting income, deductions, and credits.

Form 1040

This is the Individual Income Tax Return form. Add your Form 5695 results here to claim the credit.

[Download 1040 Here »](#)

Step 2:

Fill out 5695

The 5695 is the form where you can claim any residential energy credits. We'll just be covering the solar electric credit in this walkthrough. If you invested in other renewable energy products, like a solar water heater, you can claim those here as well.

Form **5695**
Department of the Treasury
Internal Revenue Service
Name(s) shown on return

Residential Energy Credits
Information about Form 5695 and its separate instructions is at www.irs.gov/form5695.
Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074
2016
Attachment Sequence No. **158**

Your social security number

Part I Residential Energy Efficient Property Credit (See instructions before completing this part.)
Note: Skip lines 1 through 11 if you only have a **credit carryforward from 2015**.

1	Qualified solar electric property costs	1	12,350
2	Qualified solar water heating property costs	2	
3	Qualified small wind energy property costs	3	
4	Qualified geothermal heat pump property costs	4	
5	Add lines 1 through 4	5	12,350
6	Multiply line 5 by 30% (0.30)	6	
7a	Qualified fuel cell property. Was qualified fuel cell property installed on or in connection with your main home located in the United States? (See instructions)	7a	<input type="checkbox"/> Yes <input type="checkbox"/> No
Caution: If you checked the "No" box, you cannot take a credit for qualified fuel cell property. Skip lines 7b through 11.			
b	Print the complete address of the main home where you installed the fuel cell property.		
Number and street		Unit No.	

The number here will be the same as the number from the Add It Up worksheet on page 6. It's simply the cost of all covered expenses. \$12,350 is just an example number - be sure to enter your own value from the worksheet in this guide.

Line 1 on the form is where you list the cost of qualified solar electric property installed. Line 5 on the form asks you to add lines 1-4. In our example, this will only be the total from Line 1. Make sure to have proof of purchases and costs associated.

Form **5695** Residential Energy Credits

Department of the Treasury
Internal Revenue Service

OMB No. 1545-0074
2016
Attachment
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Information about Form 5695 and its separate instructions is at www.irs.gov/form5695.
Attach to Form 1040 or Form 1040NR.

Name(s) shown on return _____ Your social security number _____

Part I Residential Energy Efficient Property Credit (See instructions before completing this part.)
Note: Skip lines 1 through 11 if you only have a credit carryforward from 2015.

1	Qualified solar electric property costs	1	
2	Qualified solar water heating property costs	2	
3	Qualified small wind energy property costs	3	
4	Qualified geothermal heat pump property costs	4	
5	Add lines 1 through 4	5	
6	Multiply line 5 by 26% (0.26)	6	3,211
7a	Qualified fuel cell property. Was qualified fuel cell property installed on or in connection with your main home located in the United States? (See instructions)	7a	<input type="checkbox"/> Yes <input type="checkbox"/> No
Caution: If you checked the "No" box, you cannot take a credit for qualified fuel cell property. Skip lines 7b through 11.			
b	Print the complete address of the main home where you installed the fuel cell property.		

Number and street _____ Unit No. _____

Next, multiply your Total Qualified Energy Costs (line 5 of the form) by 26% and fill in Line 6 with your sum.

In our example, line 5 totaled out to \$12,350. We then multiplied that by .26 for line 6, which equaled \$3,211. The total amount of your federal tax credit is \$3,211.



Solar Pro Tip:

You don't have to spend all of your credit at once! It rolls over for up to 5 years. So let's say you owe \$2,000 on income tax at the end of 2020. In this example, you can use \$2,000 of your tax credit for 2020 to zero out your income taxes owed, leaving you with \$1,211 of tax credit left, which can be used in 2021.

5	Add lines 1 through 4	5	
6	Multiply line 5 by 26% (0.26)	6	3,211
main home located in the United States? (See instructions) Caution: If you checked the "No" box, you cannot take a credit for qualified fuel cell property. Skip lines 7b through 11.		7a	<input type="checkbox"/> Yes <input type="checkbox"/> No
b Print the complete address of the main home where you installed the fuel cell property. Number and street _____ Unit No. _____ City, State, and ZIP code _____			
8	Qualified fuel cell property costs	8	
9	Multiply line 8 by 30% (0.30)	9	
10	Kilowatt capacity of property on line 8 above _____ x \$1,000	10	
11	Enter the smaller of line 9 or line 10	11	
12	Credit carryforward from 2015. Enter the amount, if any, from your 2015 Form 5695, line 16	12	
13	Add lines 6, 11, and 12	13	3,211
Credit Limit Worksheet (see instructions)		14	
15	Residential energy efficient property credit. Enter the smaller of line 13 or line 14. Also include this amount on Form 1040, line 53; or Form 1040NR, line 50	15	
16	Credit carryforward to 2017. If line 15 is less than line 13, subtract line 15 from line 13	16	

Line 13 is the next line to fill in and luckily it's straightforward. Since we're just talking solar here, you'll enter line 6's total: \$3,211 again.

b Print the complete address of the main home where you installed the fuel cell property. Number and street _____ Unit No. _____ City, State, and ZIP code _____			
8	Qualified fuel cell property costs	8	
9	Multiply line 8 by 30% (0.30)	9	
10	Kilowatt capacity of property on line 8 above _____ x \$1,000	10	
11	Enter the smaller of line 9 or line 10	11	
12	Credit carryforward from 2015. Enter the amount, if any, from your 2015 Form 5695, line 16	12	
13	Add lines 6, 11, and 12	13	3,211
14	Limitation based on tax liability. Enter the amount from the Residential Energy Efficient Property Credit Limit Worksheet (see instructions)	14	21,442
15	Residential energy efficient property credit. Enter the smaller of line 13 or line 14. Also include this amount on Form 1040, line 53; or Form 1040NR, line 50	15	
16	Credit carryforward to 2017. If line 15 is less than line 13, subtract line 15 from line 13	16	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13540P Form **5695** (2016)

Line 14 throws you a bit of a curveball - asking you to enter in your Residential Energy Efficient Property Credit.

To get this number, you're referred to the worksheet on page 4 of the Instructions for Form 5695, which brings us to...

Step 3:

Fill out i5695

The next form we need is the Instructions for Form 5695, or i5695. This is by far the longest form, but luckily we only need to pay attention to one part of one page. Flip to page 4, the worksheet for Line 14 of the 5695.

Residential Energy Efficient Property Credit Limit Worksheet—Line 14		Line 17c 2016.
1. Enter the amount from Form 1040, line 47, or Form 1040NR, line 45	1. <u>21,442</u>	Line 17c improvements renovations home. If for quali your hom moved in
2. Enter the total, if any, of your credits from Form 1040, lines 48 through 51, and Schedule R, line 22; or Form 1040NR, lines 46 through 48	2. _____	Line 18 If you tot 2009, 20 Followin the total you gen
3. Enter the amount, if any, from Form 5695, line 30	3. _____	Lifetim 1. E y li
4. If you are filing Form 2555 or Form 2555-EZ, enter the amount, if any, from line 13 of the Child Tax Credit Worksheet in Pub. 972. Otherwise, enter the amount, if any, from line 12 of the Line 11 Worksheet in Pub. 972	4. _____	2. E y li
5. Enter the amount, if any, from Form 8396, line 9	5. _____	3. E y li
6. Enter the amount, if any, from Form 8839, line 16	6. _____	4. E y li
7. Enter the amount, if any, from Form 8859, line 3	7. _____	5. E y li
8. Enter the amount, if any, from Form 8910, line 15	8. _____	6. E y li
9. Enter the amount, if any, from Form 8936, line 23	9. _____	
10. Add lines 2 through 9	10. _____	
11. Subtract line 10 from line 1. Also enter this amount on Form 5695, line 14. If zero or less, enter -0- on Form 5695, lines 14 and 15	11. <u>21,442</u>	

First take the total tax amount you owe before credits, as you'll calculate when filling out Form 1040, and enter that amount in Line 1 of the worksheet.

The number in our example is simply what a person making \$100k a year might owe.

Enter the amount from Line 30 of Form 5695 on line 3 of the worksheet. In our example, we're leaving it blank because we're just dealing with solar.

Add your total claimed credits from lines 2 through 9 on line 10 of the worksheet.

Subtract line 10's total from line 1 then enter this amount on line 14 of Form 5695.

As you can see, you'll need some information from Form 1040 (or a similar form) for your individual tax return to complete this worksheet. You'll also need to fill in a line on the 1040, which brings us to our final form...

Step 4: Fill out 1040

This is the form most US citizens file at tax time, simply their individual income. You'll likely fill one of these out as usual, but for our purposes, we only need to pay attention to Line 53. It will ask for the total number of energy credits you're claiming from Form 5695.

FORM 5695

b Print the complete address of the main home where you installed the fuel cell property.

Number and street _____ Unit No. _____
City, State, and ZIP code _____

8	Qualified fuel cell property costs	8	
9	Multiply line 8 by 30% (0.30)	9	
10	Kilowatt capacity of property on line 8 above _____ x \$1,000	10	
11	Enter the smaller of line 9 or line 10	11	
12	Credit carryforward from 2015. Enter the amount, if any, from your 2015 Form 5695, line 16	12	
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14	Limitation based on tax liability. Enter the amount from the Residential Energy Efficient Property Credit Limit Worksheet (see instructions)	14	21,442
15	Residential energy efficient property credit. Enter the smaller of line 13 or line 14. Also include this amount on Form 1040, line 53, or Form 1040NR, line 50	15	3,211
16	Credit carryforward to 2017. If line 15 is less than line 13, subtract line 15 from line 13	16	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13540P Form 5695 (2016)

All you need to do to is go back to Form 5695 and fill out Line 15, now that Line 14 is filled out. Take whichever number is lower between 13 and 14 and write it on Line 15.

FORM 1040

Form 1040 (2016) Page 2

38	Amount from line 37 (adjusted gross income)	38	
39a	Check <input type="checkbox"/> You were born before January 2, 1952, <input type="checkbox"/> Blind. Total boxes <input type="checkbox"/> if: <input type="checkbox"/> Spouse was born before January 2, 1952, <input type="checkbox"/> Blind. checked 39a <input type="checkbox"/> If your spouse itemizes on a separate return or you were a dual-status alien, check here 39b <input type="checkbox"/>		
40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	
41	Subtract line 40 from line 38	41	
42	Exemptions. If line 38 is \$155,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions	42	
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	
44	Tax (see instructions). Check if any from: <input type="checkbox"/> Form(s) 8814 <input type="checkbox"/> Form 4972 <input type="checkbox"/>	44	
45	Alternative minimum tax (see instructions). Attach Form 6251, if required	45	
46	Excess advance premium tax credit repayment. Attach Form 8962, if required	46	
47	Add lines 44, 45, and 46	47	21,442
48	Foreign tax credit. Attach Form 1116 if required	48	
49	Credit for child and dependent care expenses. Attach Form 2441	49	
50	Education credits from Form 8863, line 19	50	
51	Retirement savings contributions credit. Attach Form 8880	51	
52	Child tax credit. Attach Schedule 8812, if required	52	
53	Residential energy credits. Attach Form 5695	53	3,211
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54	
55	Add lines 48 through 54. These are your total credits	55	
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	56	
57	Self-employment tax. Attach Schedule SE	57	
58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59	
60a	Household employment taxes from Schedule H	60a	
60b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b	
61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	61	
62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62	
63	Add lines 56 through 62. This is your total tax	63	

Then grab Form 1040, flip to the second page, and enter the number you just wrote on Line 53.

That's your residential energy credit!

Which means attach Form 5695 to 1040, file it, and **you're done!**

CONTINUE YOUR RESEARCH

More Resources

Solar Panel Guide

Learn the key factors that influence solar panel pricing and find the perfect panels for your system.

[Get the Guide »](#)

Solar Battery Guide

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Solar Inverter Guide

Inverters manage the flow of power through your system. Grab our Inverter Guide and get hooked up without hassle.

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