

Tax Credits for Solar Energy Systems

REPEAL OF CREDIT CAP MEANS GREATER SAVINGS THAN EVER

Homeowners or businesses that install qualifying solar energy systems are eligible for a federal tax credit that can mean substantial savings on their tax bills. Recent federal legislation removed the cap on the credit amount that was previously applied to photovoltaic (PV) and solar water heating systems.

Businesses are also eligible for renewable energy grants from the U.S. Treasury Department equal to 30 percent of the solar system cost. The grant applies to systems placed in service before January 1, 2016, provided construction was started in 2009 or 2010. Businesses may choose either the tax credit or the grant. Residential consumers are not eligible for the grant.

What types of solar systems are eligible?

Qualifying systems may be installed in a home or business. They may be photovoltaic systems that produce electricity or solar water heating units. Businesses can also get a tax credit or grant for lighting systems that use solar energy to illuminate the inside of a building with fiber-optic-distributed sunlight. These credits are available for systems placed in service between January 1, 2006, and December 31, 2016.

What is the amount of the tax credit?

The tax credit is for 30 percent of the cost of the system. The advantage of a tax credit is that it is subtracted from your total tax liability, as opposed to a tax deduction, which only reduces the amount of your income before the tax is computed.* There is no cap on the credit amount for solar PV or solar water heating systems placed in service after December 31, 2008.

What are the solar system requirements?

PHOTOVOLTAIC

- A photovoltaic system must provide electricity for the residence and meet applicable fire and electrical code requirements.

WATER HEATING

- A solar water heating system must be certified by the Solar Rating Certification Corporation (SRCC) or a comparable agency endorsed by the state where the system is located. SRCC is a solar industry organization that tests and certifies equipment as an aid to consumers.
- At least half the energy used for heating water must be solar energy. Only expenses for the solar portion of the system are eligible for the credit. It is not available for swimming pools or hot tubs.

What do I need to do to qualify?

To qualify, taxpayers probably need to have the following documentation:

- Cost of the system, including labor and piping or wiring to connect the system to the home's plumbing or electrical system.
- Date the system was placed in service.
- Certification that the system meets the qualifying criteria.

Where can I learn more?

For additional information, see these websites:

Tax Incentives Assistance Project:

www.energytaxincentives.org

Database of State Incentives for Renewables and Efficiency: www.dsireusa.org

Solar Energy Industries Association:

www.seia.org

Florida Solar Energy Center: www.fsec.ucf.edu

**The information in this fact sheet is not to be viewed as tax advice, nor should it be used as the sole source of information for tax purposes. Consult your tax professional or refer to Internal Revenue Service information at www.irs.gov.*



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