

About Solar/Energy Efficient Improvements and the Residential Energy Credit (Form 5695)

The Residential Energy Credit allows taxpayers to claim a tax credit for certain qualified energy efficiency improvements made to their primary or secondary residence. There are two types of Residential Energy Credits, only one of which is in scope for VITA.

- **ALL SOLAR SYSTEMS ARE OUT OF SCOPE FOR VITA.** Refer to STS or outside preparers.
- The Residential Energy Credit is non-refundable. It can only be used to reduce taxes due.

	Residential Clean Energy Credit (Part I on Form 5695)	Energy Efficient Home Improvement Credit (Part II on Form 5695)
What is covered?	qualified residential alternative energy equipment , including all SOLAR photovoltaic systems (such as solar water heaters, solar electric equipment, and solar panels) as well as geothermal heat pumps and wind turbines	qualified insulation , energy-efficient exterior windows and doors , qualifying metal or asphalt roofs , and energy-efficient heating and air conditioning systems , etc. Check product eligibility here: https://www.regulations.doe.gov/product-lookup
In Scope for VITA?	NO - refer taxpayer to Special Tax Services	YES
Amount & Eligibility	30% of eligible expenses, no maximum	30% of the costs for qualifying upgrades Maximum annual credit is \$3,200 (Up to \$1,200 for building envelope components, home energy audits, and most home energy systems. Up to \$2,000 for electric or natural gas heat pumps, heat pump water heaters, and biomass stoves or boilers.) <u>Building Envelope Components:</u> <ul style="list-style-type: none"> ● Exterior Doors: Up to \$250 per door, with a total limit of \$500. ● Exterior Windows and Skylights: Up to \$600 ● Insulation Materials or Systems: No specific individual limit; included in the overall annual cap. <u>Home Energy Systems:</u> <ul style="list-style-type: none"> ● Central Air Conditioners: Up to \$600 ● Natural Gas, Propane, or Oil Water Heaters: Up to \$600 ● Natural Gas, Propane or Oil Furnaces and Hot Water Boilers: Up to \$600 ● Electric or Natural Gas Heat Pumps: Up to \$2,000

	Residential Clean Energy Credit (Part I on Form 5695)	Energy Efficient Home Improvement Credit (Part II on Form 5695)
		<ul style="list-style-type: none"> • Biomass Stoves or Boilers: Up to \$2,000 <p><u>Home Energy Audits:</u> Up to \$150 for professional evaluations to identify energy-saving opportunities.</p> <p><u>Electrical Upgrades:</u> Up to \$600 for improvements to panelboards, sub-panelboards, branch circuits, or feeders, provided they are installed in conjunction with other qualifying energy-efficient improvements.</p> <p><u>Eligibility and Timing:</u></p> <p>Improvements must be made to your principal residence located in the United States.</p> <p>Labor costs for the installation of certain systems (e.g., heat pumps, biomass stoves) can be included when calculating the credit.</p>
Refundable?	No	No
Carry forward to future years?	Yes	No
TaxSlayer Entry		Federal → Deductions → Credits → Residential Energy Credits. This adds Form 5695, Residential Energy Credit to the tax return and completes Part II: Energy Efficient Home Improvement Credit of the form. Note that the credit is nonrefundable, so it will only be applied to the return to reduce federal taxes due. See Pub 4012 Tab G-21 for additional details and limits. See next page for entry screen example.

Form Finder

Enter the form number...

Basic Information

Federal Section

Income

Deductions

Residential Energy Credit

Other Taxes

Payments & Estimates

Miscellaneous Forms

Health Insurance

State Section

Summary/Print

Federal
\$0

Show more

Form 5695 Residential Energy Credits

Qualified Energy Efficiency Improvements	BEGIN
Residential Energy Property Expenditures	BEGIN
Residential Clean Energy Credit	BEGIN
Credit Carryforward from 2024	BEGIN

CONTINUE

Enter as “Residential Energy Property Expenditures”

- Central air conditioners
- Natural gas, propane or oil water heaters
- Natural gas, propane or oil furnace or hot water boilers
- Electric or natural gas heat pumps
- Electric or natural gas heat pump water heaters
- Biomass stoves and biomass boilers

Property Information

Type of property *

Select

Select

Central air conditioners

Natural gas, propane or oil water heaters

Natural gas, propane or oil furnace or hot water boilers

Electric or natural gas heat pumps

Electric or natural gas heat pump water heaters

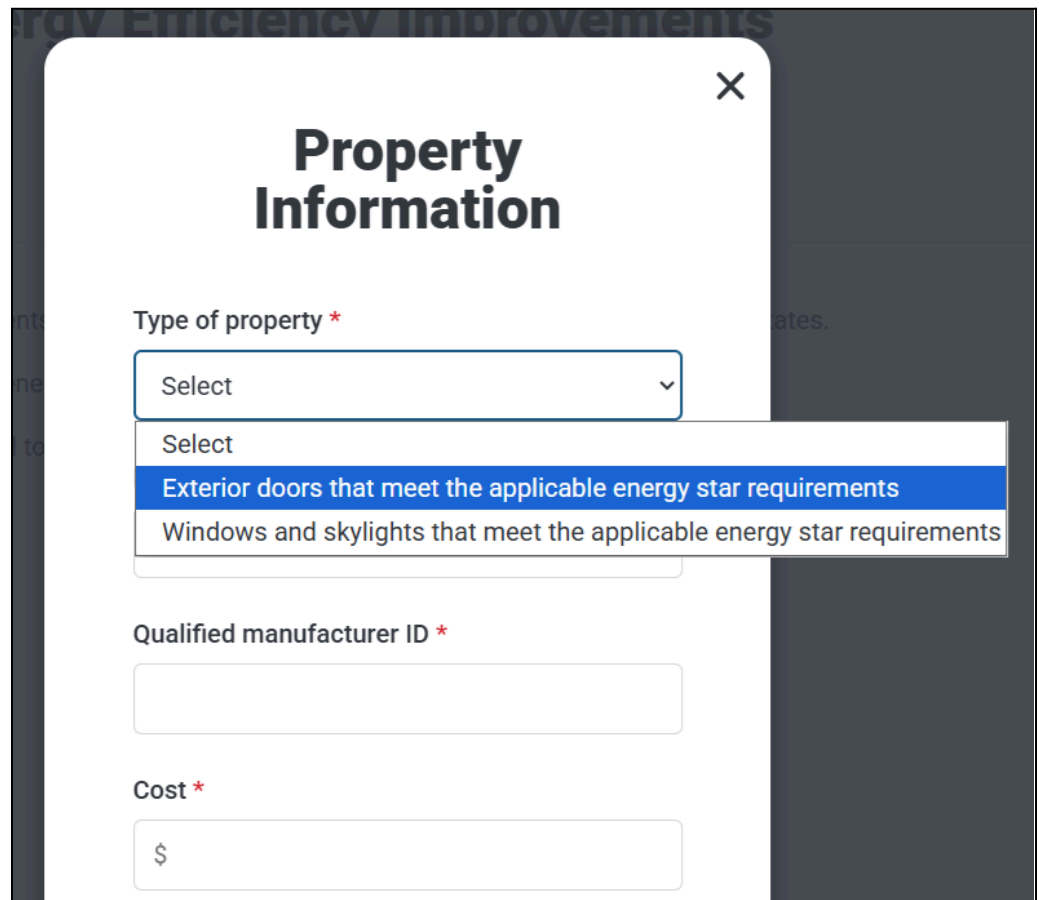
Biomass stoves and biomass boilers

Cost *

\$

Enter as “Qualified Energy Efficiency Improvements”

- Exterior doors that meet the applicable energy star requirements
- Windows and skylights that meet the applicable energy star requirements



The image shows a screenshot of a web form titled "Property Information". The form has a white background and a dark grey border. At the top right, there is a close button (an 'X' icon). The title "Property Information" is centered at the top in a large, bold, black font. Below the title, there are three main sections:

- Type of property ***: A dropdown menu with "Select" as the current selection. The dropdown is open, showing two options: "Exterior doors that meet the applicable energy star requirements" (highlighted in blue) and "Windows and skylights that meet the applicable energy star requirements".
- Qualified manufacturer ID ***: An empty text input field.
- Cost ***: A text input field with a dollar sign (\$) on the left side.