

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 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 Credit. This adds Form 5695, Residential Energy Credit to the tax return and completes Part II: Energy Efficient Home Improvement Credit of the form.