

About Residential Energy Credits and Form 5695

About the Residential Energy Credit

This credit is for qualified energy efficiency improvements (such as adding insulation, energy-efficient exterior windows and doors, and qualifying metal or asphalt roofs) or qualified residential energy property improvements (such as energy-efficient heating and air conditioning systems). There is a total combined credit limit of \$500 (\$200 limit for windows) for all tax years after 2005.

Note: Tax law change in 2020 caused this deduction to be retroactively extended for tax years 2018 and 2019. Therefore, eligible taxpayers may benefit from filing an amendment to claim this credit for those years.

In TaxSlayer, the credit is entered using **Federal Section>Deductions>Credits>Residential Energy Credit**. This adds **Form 5695, Residential Energy Credit** to the tax return.

In Scope Vs. Out of Scope

The Residential Energy Credit is **out of scope** for taxpayers who purchased qualified residential alternative energy equipment, such as solar hot water heaters, solar panels, geothermal heat pumps and wind turbines. These items are entered in **Part I: Residential Energy Efficient Property Credit** of **Form 5695**. Refer these taxpayers to the Special Tax Services team for return preparation.

Other types of purchases or installations (such as adding insulation, energy-efficient exterior windows and doors, and qualifying metal or asphalt roofs) or qualified residential energy property improvements are **in scope** for VITA. These are entered in **Part II: Nonbusiness Energy Property Credit** of **Form 5695**.