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installed in your home, or three times the percentage for the regular residential energy credit.

Apr. 19, 2019



Despite calls for its renewal, Congress hasn't addressed the issue of the popular residential energy credit, which officially expired after 2017. This credit, which is generally equal to 10% of the cost of qualified energy-saving improvements made to a principal residence, may be part of any "extenders legislation" eventually enacted this year. But that doesn't mean homeowners are completely shut down for now.

Alternatively, a taxpayer may still claim the "residential renewable energy credit" for qualified equipment, including expenses for solar, wind, geothermal and fuel-cell technology. For 2019, this credit is equal to 30% of the cost of alternative energy

equipment installed in your home, or three times the percentage for the regular

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- Solar panels or photovoltaics for generating electricity. The electricity must be used in the home.
- Solar-powered water heaters. The water heated by the system must be used inside the home and at least half of the home's water-heating capacity must be solar. Note: Solar heaters in swimming pools and hot tubs don't qualify.
- Wind turbines generating up to 100 kilowatts of electricity for residential use.
- Geothermal heat pumps meeting federal Energy Star guidelines.
- Fuel cells relying on a renewable resource, such as hydrogen, to generate power for the home. The equipment must generate at least 0.5 kilowatts of power.

Unlike the residential energy credit, there's no dollar limit on the alternative credit for most types of property. If your credit exceeds your tax liability, you can carry forward the unused portion of this credit to next year's tax return. Finally, note that this credit is available for installations in a home other than your principal residence, except for qualified fuel-cell property. In other words, you generally can take the credit for qualified improvements made to your vacation home.

The residential renewable energy credit is claimed on Form 5695 (Residential Energy Credit). The instructions to Form 5695 provide additional guidance.

It's important for practitioners to get the word out to clients who may benefit from this credit. The full credit is only available through the end of 2019, so they should act soon.

- Link to Form 5695 on IRS website: <https://www.irs.gov/pub/irs-pdf/f5695.pdf>
- Link to instructions on IRS website: <https://www.irs.gov/pub/irs-pdf/i5695.pdf>

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