

RESIDENTIAL ENERGY CREDITS

Refer to [Form 5695](#) for details

See Also IRS Fact Sheet [FS-2024-15](#)

Part I, Residential Clean Energy Credit, (Out of Scope for TaxAide). Taxpayers that have these expenses will be referred to a professional tax preparer.

This credit is available for taxpayers who purchased qualified residential alternative energy equipment, such as solar hot water heaters, stoves that burn biomass fuel, geothermal heat pumps and wind turbines.

Part II, Energy Efficient Home Improvement Credit (In Scope for TaxAide)

Key Points:

To qualify for this credit, improvements must satisfy energy efficiency requirements; home energy audits must meet guidelines. Google “ENERGY STAR Tax Credits for Homeowners”.

The non-refundable Energy Efficient Home Improvement Credit has no lifetime limit. The maximum total yearly credit of \$3,200 is comprised of separate \$1,200 and \$2,000 limits. The following are eligible:

A \$1,200 aggregate yearly credit limit applies across any combination of building envelope components, home energy audits, and residential energy property:

- ▶ Building envelope components¹ having an expected life span of at least 5 years (installation labor costs don't qualify for this part of the credit⁴):
 - ▶ exterior doors (30% of costs up to \$250 per door, up to a total of \$500);
 - ▶ exterior windows and skylights (30% of costs up to \$600); and
 - ▶ insulation materials or systems and air sealing materials or systems (30% of costs).
- ▶ Home energy audits² (30% of costs up to \$150).
- ▶ Residential energy property³ (30% of costs, including labor, up to \$600 for each item):
 - ▶ central air conditioners;
 - ▶ natural gas, propane, or oil water heaters;
 - ▶ natural gas, propane, or oil furnaces and hot water boilers; and
 - ▶ improvements to or replacements of panelboards, sub-panelboards, branch circuits, or feeders that are installed along with building envelope components or other energy property listed and enable its installation and use.

A separate \$2,000 aggregate yearly credit limit applies across all heat pump water heaters, heat pumps, and biomass stoves and biomass boilers (30% of costs, including labor):³

- ▶ electric or natural gas heat pump water heaters;
- ▶ electric or natural gas heat pumps; and
- ▶ biomass stoves and biomass boilers.

Footnotes:

¹ Home must be owned and used by the taxpayer as their principal residence.

² Home must be owned or used by the taxpayer as their principal residence (includes renters).

³ Home must be used as a residence by the taxpayer (includes renters; includes second homes).

⁴ For qualifying building envelope components for which a taxpayer pays a fixed price, the taxpayer must make a reasonable allocation between the cost of the qualifying property and the non-qualifying labor costs of the installation.

NOTE:

For detailed information about qualifying improvements, visit the U.S. Department of Energy EnergyStar Website:

https://www.energystar.gov/about/federal_tax_credits/non_business_energy_property_tax_credits

Manufacturers must certify that their products meet new standards and they must provide a written statement to the taxpayer such as with the product packaging or in a printable format on the manufacturer's website. Taxpayers should keep a copy of the manufacturer's certification statement and receipts with their other important tax records.

Not all ENERGY STAR products qualify for a tax credit. Since 2016, exterior doors, exterior windows, and skylights are only eligible for the energy efficient home improvement credit if they meet or exceed the specific requirements of the version 6.0 Energy Star program.

Additional Requirements to Qualify for the Energy Efficient Home Improvement Credit:

- Improvements must be placed into service by the taxpayer during the tax year.
- Systems and materials must be new, not used.
- Improvements must be for an existing home or for an addition to or renovation of an existing home, and not for a newly constructed home. The home must be located in the United States.
- When calculating the credit, taxpayers need to reduce the purchase price by any subsidies or rebates received.