

## Tax Incentives

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## Solar Tax Credits For Photovoltaic & Solar Hot water systems



In August 2022, Congress passed an extension of the ITC, raising it to 30% for the installation of which was between 2022-2032. (Systems installed on or before December 31, 2019 are also eligible for a 30% tax credit.)

- What is the solar tax credit?
- How to Claim Your Credit
- Upcoming Changes

## What is the Residential Hawaii Energy Tax Credit for PV?

Originally enacted in 1976, the Hawaii Energy Tax Credit allows individuals to claim an income tax credit of as much as 35% of the cost of equipment and installation of a residential photovoltaic (PV) system. The credit is capped at \$5,000 per "5 kW system," and multiple systems may be installed on one home.

Systems must be fully installed and capable of operation by the end of the the year in which you are claiming the tax credit. If your credit is more than what you owe in that year, the credits may be rolled forward to subsequent years. Hawaii also offers a "refundable credit" for PV system owners who do not have sufficient state tax liability; the refundable credit is 30% less than the normal tax credit, but state cuts a check directly to the system owner.

## What is the Residential Federal Solar Tax Credit for PV?

The federal residential solar energy credit is a tax credit that can be claimed on federal income taxes for a percentage of the cost of a solar PV system paid for by the taxpayer.

The installation of the system must be complete during the tax year.

In August 2022, Congress passed an extension of the ITC, raising it to 30% for the installation of which was between 2022-2032. (Systems installed on or before December 31, 2019 are also eligible for a 30% tax credit.) It will decrease to 26% for systems installed in 2033 and to 22% for systems installed in 2034. The tax credit expires starting in 2035 unless Congress renews it.

There is no maximum amount that can be claimed.

### HOW DOES IT WORK?

The total value of the solar tax credit can easily be calculated by taking 30% of the solar system cost. There is no limit to the value of the credit. It's important to note that the federal solar tax credit is a nonrefundable tax credit. This means that you only get a refund up to the amount you owe in federal taxes.

The solar tax credit is only available for the owner of the system. Therefore, homeowners who install a PV system under a PPA (Power Purchase Agreement) or Solar Lease are not personally eligible for the ITC.