

# Home Energy Tax Credits

# 2023

Tax Year 2023 includes big changes to the home energy tax credits:

- **Residential Clean Energy (items that generate clean energy)**
- **Energy Efficient Home Improvement (items that conserve energy)**

The credits are a significant improvement, but also complicated to navigate. Some tax planning may be required to maximize utilization of the credits.

Equipment Type	Tax Credit	Maximum Credit	Credit Limits	Include Installation Costs?	Vacation Home?	Rental Property?	
<b>Generate Clean Energy</b>							
Solar (electricity and water heater)	30% of cost			Yes	TBD	No	
<b>Conserve Energy</b>							
Heat pump (heating and cooling)	30% of cost	\$2,000 for this group		Yes	Yes	Yes	
Heat pump (water heater)			Yes	Yes	Yes		
Central air conditioners		\$1,200 for this group with limits on certain items		Yes	Yes	Yes	
Heating equipment				Yes	Yes	Yes	
Water heaters				Yes	Yes	Yes	
Electrical panel upgrades				Yes	Yes	Yes	
Insulation materials				No	No	No	
Windows and skylights				\$600 total	No	No	No
Exterior doors				\$500 total (up to \$250/door)	No	No	No
Home Energy Audits				\$150		N/A	TBD



## How do I claim the credits?

- The credits are claimed on your federal income tax return.
- The installation must be completed in the year the credit is claimed.
- States may also offer tax credits and rebates for energy efficient home improvements.

## What documentation do I need to provide?

- For each eligible item, provide the cost of the product and installation.
- The taxpayer may rely on the manufacturer's certification. The certification is not required to be attached to the tax return but should be kept on file along with receipts and proof of payment.

## How do I know what property is eligible for the Energy Efficient Home Improvement Credit?

Check this website to identify eligible property:  
[www.energystar.gov](http://www.energystar.gov)

## Does a new roof qualify for the credit?

No, but repairs related to the installation of solar panels can be included.

## What else can be included in the cost of solar panel installation?

In addition to installation expense, the cost of any electrical or plumbing work related to the installation of solar panels can be included.

## Is there a lifetime limit on the Energy Efficient Home Improvement Credit?

No, you can claim up to the maximum amount of the credit each year (subject to specific item limitations).

## What happens to unused credit amounts?

Both credits are *non-refundable* which means that the credit amount can reduce the tax liability to zero, but any remaining amount is not refunded.

## Do the credits carry-over to the next year?

- **Residential Clean Energy (Solar)**
  - Yes, any unused credit carries forward indefinitely.
  - To utilize the full amount of the credit in a current year, consider tax planning tools such as initiating a Roth IRA conversion or recognizing capital gain income on investments.
- **Energy Efficient Home Improvement**
  - No, there is no carry-forward for this credit which means that any unused credit is lost.
  - Consider splitting projects across tax years to take advantage of the credit each year.

## When do the credits expire?

- **Residential Clean Energy (Solar Credit)**

The credit can be claimed on eligible property installed through 2034.
- **Energy Efficient Home Improvement Tax Credit**

The credit can be claimed on eligible property installed through 2032.

## Confused?

Send me your questions or schedule time to consult on energy credit maximization.

