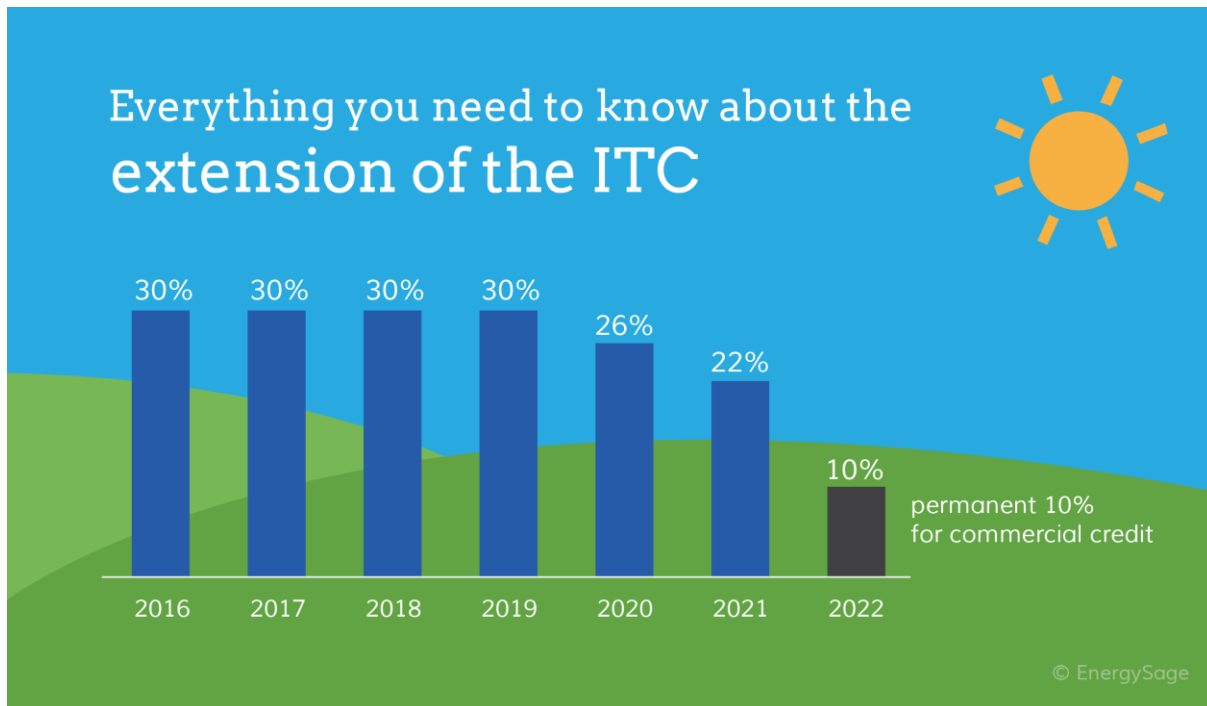


Solar Tax Credit

Everything you need to know about the federal ITC for 2018



Congress has voted to extend the solar tax credit for homeowners through 2021.

Homeowners, solar companies, and industry advocates alike were given a big Christmas gift in 2015 when Congress approved the 2016 federal spending bill and extended the solar panel tax credit. The December 18 bill contained a 5-year solar tax credit extension, which makes solar more affordable for all Americans. Wondering how this impacts you?

[What is the solar tax credit?](#)

The federal solar tax credit, also known as the investment tax credit (ITC), allows you to deduct 30 percent of the cost of installing a solar energy system from your federal taxes. The ITC applies to both residential and commercial systems, and there is no cap on its value. Thanks to the ITC, the average the cost of solar is dropping across the nation.

[What does the federal solar tax credit extension mean for the solar industry?](#)

The federal ITC was originally established by the Energy Policy Act of 2005 and was set to expire at the end of 2007. A series of extensions pushed the expiration date back to the end of 2016, but experts believed that an additional five-year extension would bring the solar industry to its full maturity. Thanks to the spending bill that Congress passed in late

December 2015, the tax credit is now available to homeowners in some form through 2021. Here are the specifics:

- **2016 – 2019:** The tax credit remains at **30 percent** of the cost of the system. This means that in 2017, you can still get a major discounted price for your solar panel system.
- **2020:** Owners of new residential and commercial solar can deduct **26 percent** of the cost of the system from their taxes.
- **2021:** Owners of new residential and commercial solar can deduct **22 percent** of the cost of the system from their taxes.
- **2022 onwards:** Owners of new commercial solar energy systems can deduct **10 percent** of the cost of the system from their taxes. There is no federal credit for residential solar energy systems.

Additionally, in previous years, owners of new solar energy systems could not claim the tax credit unless their system was operational. Now, the legislation allows them to claim it as soon as the construction of the system is complete, as long as it is operational by December 31, 2023.

[Do I qualify for the solar panel tax credit?](#)

As long as you own your solar energy system, you are eligible for the solar tax credit. Even if you don't have enough tax liability to claim the entire credit in one year, you can "roll over" the remaining credits into future years for as long as the tax credit is in effect. However, remember that if you sign a lease or PPA with a solar installer, you are not the owner of the system, and thus you cannot receive the tax credit.

[How do I claim the solar tax credit?](#)

You claim the solar tax credit when you file your yearly federal tax return. Remember to let your accountant know you've gone solar in the past year, or if you file your own taxes, on how to claim the solar ITC.

[More resources on the extension of the federal ITC](#)

- The Wall Street Journal [explores the legislation](#) and what it means for today's homeowners.
- Greentech Media [conducted an in-depth analysis](#) of the solar tax credit extension's impact on the broader solar industry.
- Read the language of the [official bill](#) (Section 303, beginning on pg. 2005, details the specifics of the extension).