



How to claim your 26% tax credit

Now that your install is complete please review and keep this form for when it comes time for taxes. In order to receive your 26% tax credit you will need to do the following steps.

Form 5695 instructions: the 3 steps to claim the solar tax credit

1. Determine if you are eligible for the Federal ITC – make sure you credit for ownership and that federal tax liability are in order
2. Complete IRS Form 5965 to validate your qualification for renewable energy credits
3. Add your renewable energy credit information to your typical form 1040

Instructions for filling out IRS Form 5695 for 2021

Claiming the ITC is easy. All you need to do is complete [IRS Form 5695](#), “Residential Energy Credits,” and include the final result of that form on [IRS Form 1040](#).

Form 5695 instructions

Form 5695 calculates tax credits for a variety of qualified residential energy improvements, including geothermal heat pumps, solar panels, solar water heating, small wind turbines, and fuel cells. We'll use the national average gross cost of a solar energy system as an example.

- First, you will need to know the **qualified solar electric property costs**. That is the total gross cost of your solar energy system after any cash rebates. Add that to line 1.
- Insert the total cost of any additional energy improvements, if any, on lines 2 through 4, and add them up on line 5.

(The numbers in this example were based on when the tax credit was at 30%)

1	Qualified solar electric property costs	1	18,840
2	Qualified solar water heating property costs	2	0
3	Qualified small wind energy property costs	3	0
4	Qualified geothermal heat pump property costs	4	0
5	Add lines 1 through 4	5	18,840

- On line 6, multiply line 5 by 30%. This is the amount of the solar tax credit.

5	Add lines 1 through 4	5	18,840
6	Multiply line 5 by 30% (.30)	6	5,652

- Assuming you are not also receiving a tax credit for fuel cells installed on your property, and you aren't carrying forward any credits from last year, put the value from line 6 on line 13.

Now you need to calculate if you will have enough tax liability to get the full 30% credit in one year.

- Complete the worksheet on page 4 of the [instructions for Form 5695](#) to calculate the limit on tax credits you can claim. If you are claiming tax credits for adoption expenses, interest on a mortgage, buying a home for the first time, or buying a plug-in hybrid or electric vehicle, you will need that information here. (For this example, total federal tax liability is \$7,000.)

Residential Energy Efficient Property Credit Limit Worksheet—Line 14

1. Enter the amount from Form 1040, line 47, or Form 1040NR, line 45	1.	5,000
2. Enter the total, if any, of your credits from Form 1040, lines 48 through 51, and Schedule R, line 22; or Form 1040NR, lines 46 through 48	2.	0
3. Enter the amount, if any, from Form 5695, line 30	3.	0
4. Enter the amount, if any, from line 12 of the Line 11 Worksheet in Pub. 972 if you are claiming the child tax credit	4.	0
5. Enter the amount, if any, from Form 8396, line 9	5.	0
6. Enter the amount, if any, from Form 8839, line 16	6.	0
7. Enter the amount, if any, from Form 8859, line 3	7.	0
8. Enter the amount, if any, from Form 8910, line 15	8.	0
9. Enter the amount, if any, from Form 8936, line 23	9.	0
10. Add lines 2 through 9	10.	0
11. Subtract line 10 from line 1. Also enter this amount on Form 5695, line 14. If zero or less, enter -0- on Form 5695, lines 14 and 15	11.	5,000

- Enter the result on line 14 of Form 5695. Review line 13 and line 14, and put the smaller of the two values on line 15.

- If your tax liability is smaller than your tax credits, subtract line 15 from line 13, and enter it on line 16. That's the amount you can claim on next year's taxes.

13	Add lines 6, 11, and 12	13	5,652	
14	Limitation based on tax liability. Enter the amount from the Residential Energy Efficient Property Credit Limit Worksheet (see instructions)	14	5,000	
15	Residential energy efficient property credit. Enter the smaller of line 13 or line 14. Also include this amount on Form 1040, line 53, or Form 1040NR, line 50	15	5,000	
16	Credit carryforward to 2015. If line 15 is less than line 13, subtract line 15 from line 13	16		1,767

Add credit to Form 1040

The value on line 15 is the amount that will be credited on your taxes this year. Enter that value into Form 1040, line 53 (or Form 1040NR, line 50).

53	Residential energy credits. Attach Form 5695	53	5,000	
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The steps above outline all you need to do to have 30% of the cost of your solar panel system credited back to you! If you did energy efficiency improvements to your home in the same year, you may also need to complete page 2 of Form 5695. Either way, be sure to include Form 5695 when you submit your taxes to the IRS.

Thank you again for choosing SunGrid as your solar installer. If you have any questions about receiving your 26% tax credit please reach out to your energy consultant at SunGrid and they will be more than happy to assist you further.

