Inflation Reduction Act Benefits for Solar Consumers

Texas Solar Energy Society
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Solar Tax Credits

- Tax credits are a financial incentive that covers an amount of would-be federal income taxes, calculated as a percentage of an eligible project’s cost.
- The IRA extended a 30% federal tax credit on eligible solar projects through 2032.
- If, on the year of installation, the recipient owes less than the tax credit covers, unused credits may be applied the following year.
Example

- An eligible solar project costs a homeowner $1000.
- The tax credit covers 30% of that $1000, or $300.
- The homeowner may list the tax credit as a reduction on their federal income tax. If the homeowner owed $500 in federal income taxes, they now owe $200.
- If you only owed $100 in federal income taxes, the tax credit would cover the $100, and the remaining $200 would be applicable for next year’s taxes.
Qualifiable Projects

- Tax credits are granted for projects on primary or secondary residences of homeowners, tenant-stakeholders of energy co-operatives, or stakeholders of community solar projects.
- Tax credits are available for the purchase of PV panels, labor costs, permitting and other ancillary costs, equipment costs, battery purchase, and certain sales taxes.
- For battery storage purchases to qualify, the battery system must store more than 3kWh.

(Stanger 2022); (Solar United Neighbors 2022); (ION Solar 2021).
Community solar members are able to receive extra tax credits for:

- 10% if the project adheres to domestic content requirements.
- 10% if located on a Brownfield site or former fossil fuel site.
- 10% if located on low-income or tribal territory.
- 20% if the project benefits a Low-Income Residential Building Project or Qualified Low-Income Economic Benefit Project.
Limitations

- IRA solar tax credits are **not** refundable.
- IRA solar tax credit rates will fall to 26% in 2033, 22% in 2034, and by 2035 will no longer be available.
- IRA solar tax credits are not eligible for individuals leasing a solar project or those who are part of a power-purchasing electrical co-operative.
- States may decide whether or not individuals who use the IRA tax credits are eligible for state tax credits.
- State tax credits may not compound with IRA tax credits.
How to Apply


• To apply for the credits, submit IRS Form 5695, Residential Energy Credits.

• Assistance on filling out Form 5695 can be found here.
Additional Resources

- IRA Savings Calculator
- IRA Savings Summary
- Electric Banking
- IRA Guidebook
Additional Resources


