



# Inflation Reduction Act Benefits for Solar Consumers

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Texas Solar Energy Society  
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# Solar Tax Credits

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- 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.

**Deductions**  
reduce amount  
\$\$ you are  
TAXED ON.

Tax Deduction:	
Taxable Income:	\$100,000
Less deduction:	\$ 5,000
Adj. Taxable Income:	\$ 95,000
Tax owed (25%)	\$ 23,750

**Credits**  
reduce amount  
\$\$ you OWE in  
taxes.

Tax Credit:	
Taxable Income:	\$100,000
Tax owed (25%):	\$ 25,000
Less Tax Credit:	\$ 5,000
Adj. Tax Owed:	\$ 20,000

# Qualifiable Projects

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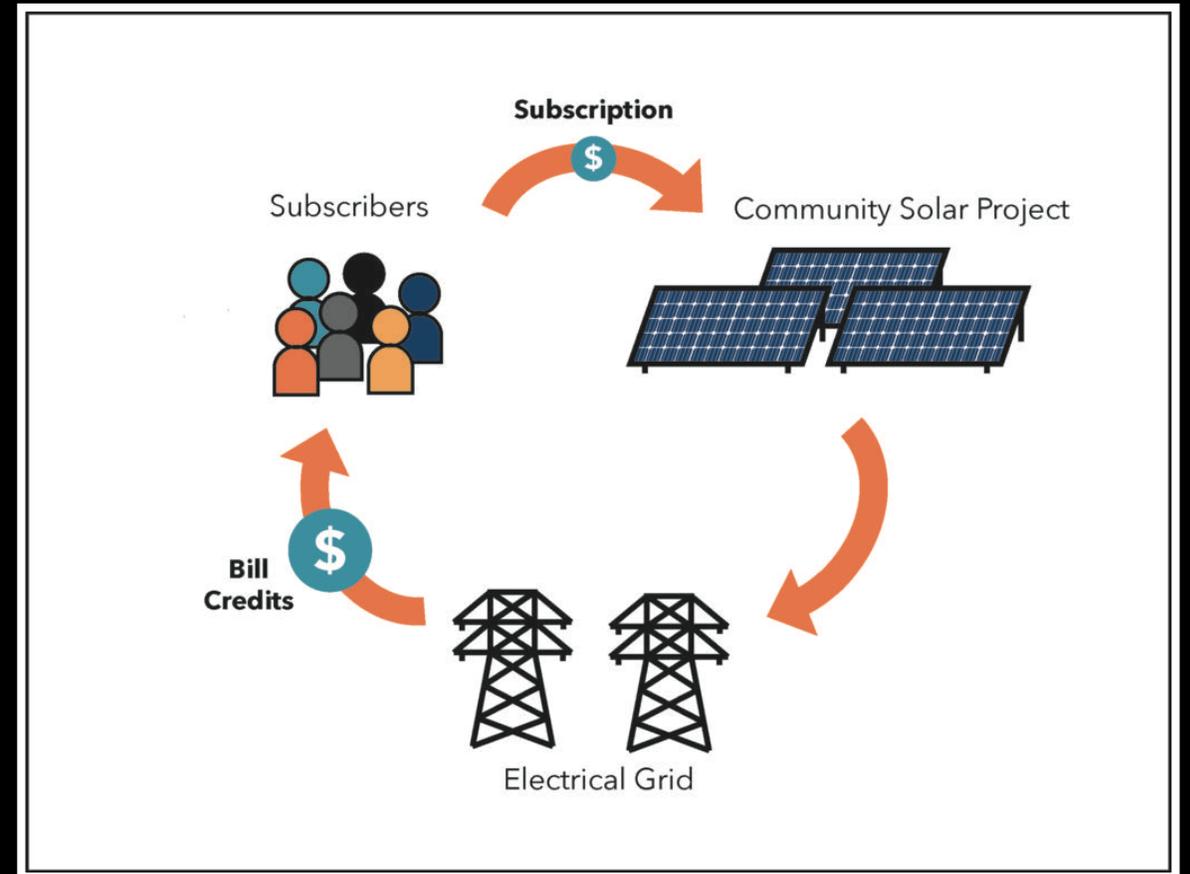
- Tax credits are granted for projects on primary or secondary residences of homeowners, tenant-stakeholders of energy co-operatives, or stakeholders of community solar projects.
- Tax credits are available for the purchase of PV panels, labor costs, permitting and other ancillary costs, equipment costs,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



# Community Solar

Community solar members are able to receive extra tax credits for:

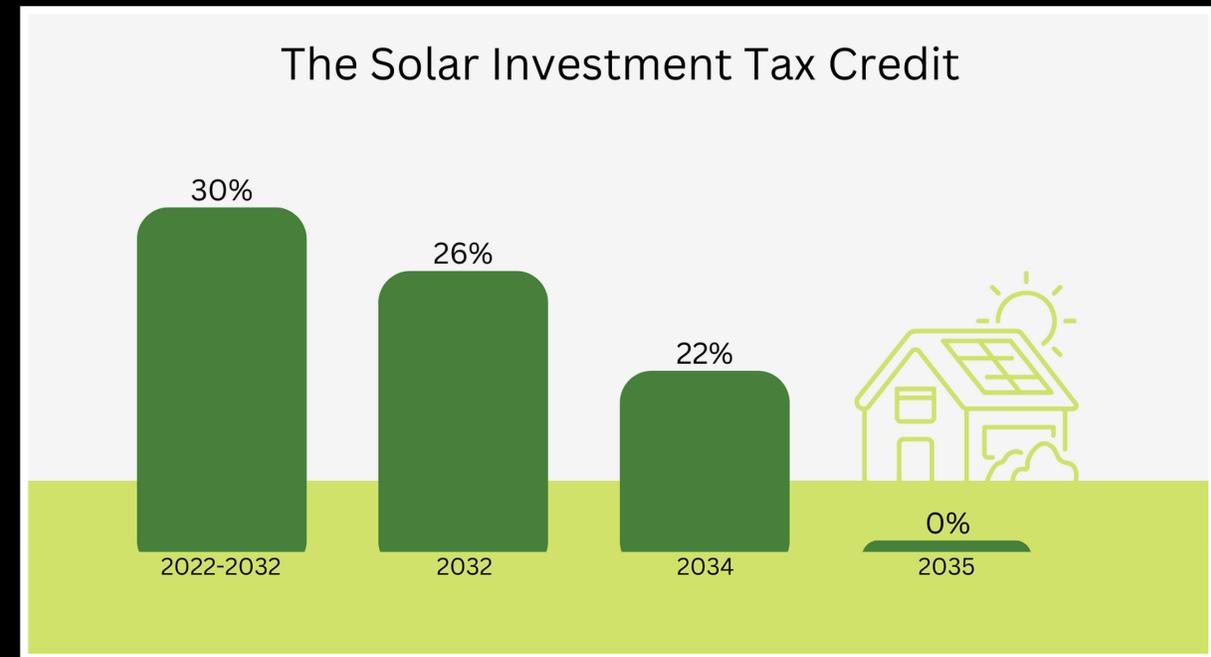
- 10% if the project adheres to domestic content requirements.
- 10% if located on a Brownfield site or former fossil fuel site.
- 10% if located on low-income or tribal territory.
- 20% if the project benefits a Low-Income Residential Building Project or Qualified Low-Income Economic Benefit Project.



# Limitations

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- 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

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- Visit the Department of Energy's [Homeowner's Guide to the Federal Tax Credit for Solar Photovoltaics](#).
- To apply for the credits, submit [IRS Form 5695, Residential Energy Credits](#).
- Assistance on filling out Form 5695 can be found [here](#).

How do I claim the Federal Solar Tax Credit?



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# *Additional Resources*

- [IRA Savings Calculator](#)
- [IRA Savings Summary](#)
- [Electric Banking](#)
- [IRA Guidebook](#)

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# Additional Resources

“About Form 5695, Residential Energy Credits.” Internal Revenue Service. Department of the Treasury. Accessed January 11, 2023. <https://www.irs.gov/forms-pubs/about-form-5695>.

“Federal Solar Tax Credit.” iPower Energy. Accessed January 11, 2023. <https://www.ipowerenergygroup.com/federal-solar-tax-credit>.

“Homeowner’s Guide to the Federal Tax Credit for Solar Photovoltaics.” Solar Energy Technologies Office. Department of Energy, September 2022. <https://www.energy.gov/eere/solar/homeowners-guide-federal-tax-credit-solar-photovoltaics>.

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Riley, Nathaniel, Somer Anderson, and Skylar Clarine. “The Cost of Solar Panels: Is It Worth It?” Investopedia. Dotdash Meredith, June 7, 2022. <https://www.investopedia.com/articles/mortgages-real-estate/10/solar-power-home.asp>.

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“The Ultimate Guide to Solar Power for Homes.” Ion Solar, August 5, 2021. <https://ionsolar.com/ultimate-guide-solar-power-homes/>.