

Home green home: Save tax by saving energy



“Going green” at home — whether it’s your principal residence or a second home — can reduce your tax bill in addition to your energy bill, all while helping the environment, too. The catch is that, to reap all three benefits, you need to buy and install certain types of renewable energy equipment in the home.

Invest in green and save green

For 2018 and 2019, you may be eligible for a tax credit of 30% of expenditures (including costs for site preparation, assembly, installation, piping, and wiring) for installing the following types of renewable energy equipment:

- Qualified solar electricity generating equipment and solar water heating equipment,
- Qualified wind energy equipment,
- Qualified geothermal heat pump equipment, and
- Qualified fuel cell electricity generating equipment (limited to \$500 for each half kilowatt of fuel cell capacity).

Because these items can be expensive, the credits can be substantial. To qualify, the equipment must be installed at your U.S. residence, including a vacation home — except for fuel cell equipment, which must be installed at your *principal* residence. You can’t claim credits for equipment installed at a property that’s used exclusively as a rental.

To qualify for the credit for solar water heating equipment, at least 50% of the energy used to heat water for the property must be generated by the solar equipment. And no credit is allowed for solar water heating equipment unless it’s certified for performance by the nonprofit Solar Rating & Certification Corporation or a comparable entity endorsed by the state in which your residence is located. (Keep this certification with your tax records.)

The credit rate for these expenditures is scheduled to drop to 26% in 2020 and then to 22% in 2021. After that, the credits are scheduled to expire.

Document and explore

As with all tax breaks, documentation is key when claiming credits for green investments in your home. Keep proof of how much you spend on qualifying equipment, including any extra amounts for site preparation, assembly and installation. Also keep a record of when the installation is completed, because you can claim the credit only for the year when that occurs.

Be sure to look beyond the federal tax credits and explore other ways to save by going green. Your green home investments might also be eligible for state and local tax benefits, subsidized state and local financing deals, and utility company rebates.

To learn more about federal, state and local tax breaks available for green home investments, contact us.