



STATE OF VERMONT
OFFICE OF LEGISLATIVE COUNCIL

MEMORANDUM

To: Sen. Ann Cummings
From: Aaron Adler, Legislative Counsel
Date: February 6, 2017
Subject: Federal solar tax credits - corrected

This memo responds to your request for information on federal solar tax credits.

- There is a *residential investment tax credit* of 30 percent of the expenditure for solar electric generation and solar hot water heaters that generate energy for use in a dwelling unit used as a residence by the taxpayer. 26 U.S.C. § 25D.

Under a 2015 budget act, the expiration of this residential investment tax credit was extended for property placed in service on or before Dec. 31, 2019 at the full 30 percent. The percentage steps down to 26 percent for property placed in service in 2020 and 22 percent for property placed in service in 2021. The credit is not available for property placed in service after Dec. 31, 2021. Pub. L. 114-113, Div. P, Title III, § 304(a) (Dec. 18, 2015).

- There is a *commercial investment tax credit* of 30 percent of the expenditure for energy property that uses solar to generate electricity, to heat or cool (including hot water), or to provide solar process heat. 26 U.S.C. § 48.

Under the same 2015 budget act, the expiration of this commercial investment tax credit was extended for property if construction commences before Jan. 1, 2022.

- The full 30 percent is available if construction commences before Jan. 1, 2019.
- The percentage steps down to 26 percent if construction commences before Jan. 1, 2021 and 22 percent if construction commences before Jan. 1, 2022.
- If construction commences after Jan. 1, 2022, the percentage is 10 percent.
- The property must be placed in service before Jan. 1, 2024.

26 U.S.C. § 48; Pub. L. 114-113, Div. P, Title III, § 303(a)–(c) (Dec. 18, 2015).

- There is *renewable electricity production tax credit* of \$0.023/kWh available for solar systems that do not claim the commercial investment tax credit, if the system commenced construction before Jan. 1, 2017. The credit period is 10 years. 26 USC §§ 45, 48; IRS form [8835](#) and [instructions](#).