Internal Revenue Code Section 25D(h)

Residential clean energy credit

(a) Allowance of credit.
In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the applicable percentages of-

(1) the qualified solar electric property expenditures,

(2) the qualified solar water heating property expenditures,

(3) the qualified fuel cell property expenditures,

(4) the qualified small wind energy property expenditures,

(5) the qualified geothermal heat pump property expenditures, and

Note: Section 25D(a)(6), below, applies to expenditures made before 1/1/2023.

(6) the qualified biomass fuel property expenditures, and

Note: Section 25D(a)(6), below, applies to expenditures made after 12/31/2022.

(6) the qualified battery storage technology expenditures,

made by the taxpayer during such year

(b) Limitations.

(1) Maximum credit for fuel cells.
In the case of any qualified fuel cell property expenditure, the credit allowed under subsection (a) (determined without regard to subsection (c)) for any taxable year shall not exceed $500 with respect to each half kilowatt of capacity of the qualified fuel cell property (as defined in section 48(c)(1)) to which such expenditure relates.

(2) Certification of solar water heating property.
No credit shall be allowed under this section for an item of property described in subsection (d)(1) unless such property is certified for performance by the non-profit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the State in which such property is installed.

(c) Carryforward of unused credit.
If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this

section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

(d) Definitions.
For purposes of this section -

(1) Qualified solar water heating property expenditure.
The term "qualified solar water heating property expenditure" means an expenditure for property to heat water for use in a dwelling unit located in the United States and used as a residence by the taxpayer if at least half of the energy used by such property for such purpose is derived from the sun.

(2) Qualified solar electric property expenditure.
The term "qualified solar electric property expenditure" means an expenditure for property which uses solar energy to generate electricity for use in a dwelling unit located in the United States and used as a residence by the taxpayer.

(3) Qualified fuel cell property expenditure.
The term "qualified fuel cell property expenditure" means an expenditure for qualified fuel cell property (as defined in section 48(c)(1) , without regard to subparagraph (D) thereof) installed on or in connection with a dwelling unit located in the United States and used as a principal residence (within the meaning of section 121) by the taxpayer.

(4) Qualified small wind energy property expenditure.
The term "qualified small wind energy property expenditure" means an expenditure for property which uses a wind turbine to generate electricity for use in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.

(5) Qualified geothermal heat pump property expenditure.

(A) In general. The term "qualified geothermal heat pump property expenditure" means an expenditure for qualified geothermal heat pump property installed on or in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.

(B) Qualified geothermal heat pump property. The term "qualified geothermal heat pump property" means any equipment which-

(i) uses the ground or ground water as a thermal energy source to heat the dwelling unit referred to in subparagraph (A) or as a thermal energy sink to cool such dwelling unit, and

(ii) meets the requirements of the Energy Star program which are in effect at the time that the expenditure for such equipment is made.

Note: Section 25D(d)(6), below, applies to expenditures made before 1/1/2023.

(6) Qualified biomass fuel property expenditure.

(A) In general. The term "qualified biomass fuel property expenditure" means an expenditure for property-

(i) which uses the burning of biomass fuel to heat a dwelling unit located in the United States and used as a residence by the taxpayer, or to heat water for use in such a dwelling unit, and

(ii) which has a thermal efficiency rating of at least 75 percent (measured by the higher heating value of the fuel).

(B) Biomass fuel. For purposes of this section, the term "biomass fuel" means any plant-derived fuel available on a renewable or recurring basis.

Note: Section 25D(d)(6), below, applies to expenditures made after 12/31/2022.

(6) Qualified battery storage technology expenditure.
The term "qualified battery storage technology expenditure" means an expenditure for battery storage technology which-

(A) is installed in connection with a dwelling unit located in the United States and used as a residence by the taxpayer, and

(B) has a capacity of not less than 3 kilowatt hours.

(e) Special rules.
For purposes of this section -

(1) Labor costs.
Expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the property described in subsection (d) and for piping or wiring to interconnect such property to the dwelling unit shall be taken into account for purposes of this section .

(2) Solar panels.
No expenditure relating to a solar panel or other property installed as a roof (or portion thereof) shall fail to be treated as property described in paragraph (1) or (2) of subsection (d) solely because it constitutes a structural component of the structure on which it is installed.

(3) Swimming pools, etc., used as storage medium.
Expenditures which are properly allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage shall not be taken into account for purposes of this section .

(4) Fuel cell expenditure limitations in case of joint occupancy.
In the case of any dwelling unit with respect to which qualified fuel cell property expenditures are made and which is jointly occupied and used during any calendar year as a residence by two or more individuals, the following rules shall apply:

(A) Maximum expenditures for fuel cells. The maximum amount of such expenditures which may be taken into account under subsection (a) by all such individuals with respect to such dwelling unit during such calendar year shall be $1,667 in the case of each half kilowatt of capacity of qualified fuel cell property (as defined in section 48(c)(1)) with respect to which such expenditures relate.

(B) Allocation of expenditures. The expenditures allocated to any individual for the taxable year in which such calendar year ends shall be an amount equal to the lesser of-

(i) the amount of expenditures made by such individual with respect to such dwelling during such calendar year, or

(ii) the maximum amount of such expenditures set forth in subparagraph (A) multiplied by a fraction-

(I) the numerator of which is the amount of such expenditures with respect to such dwelling made by such individual during such calendar year, and

(II) the denominator of which is the total expenditures made by all such individuals with respect to such dwelling during such calendar year.

(5) Tenant-stockholder in cooperative housing corporation.
In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his tenant-stockholder's proportionate share (as defined in section 216(b)(3)) of any expenditures of such corporation.

(6) Condominiums.

(A) In general. In the case of an individual who is a member of a condominium management association with respect to a condominium which the individual owns, such individual shall be treated as having made the individual's proportionate share of any expenditures of such association.

(B) Condominium management association. For purposes of this paragraph , the term "condominium management association" means an organization which meets the requirements of paragraph (1) of section 528(c) (other than subparagraph (E) thereof) with respect to a condominium project substantially all of the units of which are used as residences.

(7) Allocation in certain cases.
If less than 80 percent of the use of an item is for nonbusiness purposes, only that portion of the expenditures for such item which is properly allocable to use for nonbusiness purposes shall be taken into account.

(8) When expenditure made; amount of expenditure.

(A) In general. Except as provided in subparagraph (B) , an expenditure with respect to an item shall be treated as made when the original installation of the item is completed.

(B) Expenditures part of building construction. In the case of an expenditure in connection with the construction or reconstruction of a structure, such expenditure shall be treated as made when the original use of the constructed or reconstructed structure by the taxpayer begins.

(f) Basis adjustments.
For purposes of this subtitle, if a credit is allowed under this section for any expenditure with respect to any property, the increase in the basis of such property which would (but for this subsection) result from such expenditure shall be reduced by the amount of the credit so allowed.

(g) Applicable percentage.
For purposes of subsection (a), the applicable percentage shall be-

(1) in the case of property placed in service after December 31, 2016, and before January 1, 2020, 30 percent,

(2) in the case of property placed in service after December 31, 2019, and before January 1, 2022, 26 percent,

(3) in the case of property placed in service after December 31, 2021, and before January 1, 2033, 30 percent,

(4) in the case of property placed in service after December 31, 2032, and before January 1, 2034, 26 percent, and

(5) in the case of property placed in service after December 31, 2033, and before January 1, 2035, 22 percent.

(h) Termination.
The credit allowed under this section shall not apply to property placed in service after December 31, 2034.