

# How Do I Claim My 2016 Federal Investment Tax Credits for My Renewable Energy System?

If you have recently purchased a renewable energy system, such as a solar photovoltaic (PV), a solar thermal heating and cooling system, or if you are considering investing in a system, the following is a brief step by step guide to assist you in filing and claiming your tax credits related to your system on your Federal Income Tax Returns.

*(Note: If you purchased a renewable energy system prior to calendar year 2016 and have claimed tax credits in prior income tax years, and you have unutilized or carry-forward for your Federal or state income tax returns such as North Carolina income tax returns, please contact us and ask for a copy of our 2016 Credit Carryforward Guide.)*

## 2016 Federal Income Tax Return Credits

**Step 1: Gather Your Renewable Energy System Invoices.** You will need the total cost you incurred during the tax year for your system. This includes all your invoices or cancelled checks documenting your payments. Determine your total cost of all invoices as you will need to report that number later for the credit calculations.

1. **Total Cost Incurred to Acquire System:** \_\_\_\_\_

**Step 2: Prepare your 2016 Federal Income Taxes as routinely done in previous calendar years.** You will need to know your income tax liability (Gross Income—from employee wages or businesses/partnerships/etc., Adjusted Gross Income, Itemized or Standard Deductions and any other adjustments) as you would any routine tax year. Prepare your income taxes without the consideration of the renewable energy system purchased during the year. **This should produce two key tax numbers from your Form 1040, Page 2 you will need for your Federal tax credit claim:**

1. **Form 1040, Line 43: Taxable Income:** \_\_\_\_\_

2. **Line 47: Total Tax Liability (Sum of Lines 44–47):** \_\_\_\_\_

**Step 3: Prepare your 2016 Federal Tax Credits.** You will need the version of Form 5695, Residential Energy Credits that corresponds with the tax year of your investment. A partial picture of the 2016 form is shown below as an example:

<b>Form 5695</b> Department of the Treasury Internal Revenue Service	<b>Residential Energy Credits</b> ▶ Information about Form 5695 and its separate instructions is at <a href="http://www.irs.gov/form5695">www.irs.gov/form5695</a> . ▶ Attach to Form 1040 or Form 1040NR.	DME No. 1545-0074 <b>2016</b> Attachment Sequence No. 158
Name(s) shown on return _____		Your social security number _____
<b>Part I Residential Energy Efficient Property Credit</b> (See instructions before completing this part.)		
<b>Note:</b> Skip lines 1 through 11 if you only have a credit carryforward from 2015.		
1	Qualified solar electric property costs . . . . .	1
2	Qualified solar water heating property costs . . . . .	2
3	Qualified small wind energy property costs . . . . .	3
4	Qualified geothermal heat pump property costs . . . . .	4
5	Add lines 1 through 4 . . . . .	5
6	Multiply line 5 by 30% (0.30) . . . . .	6
7a	Qualified fuel cell property. Was qualified fuel cell property installed on or in connection with your main home located in the United States? (See instructions) ▶ <b>Caution:</b> If you checked the "No" box, you cannot take a credit for qualified fuel cell property. Skip lines 7b through 11. b Print the complete address of the main home where you installed the fuel cell property. Number and street _____ Unit No. _____ City, State, and ZIP code _____	7a <input type="checkbox"/> Yes <input type="checkbox"/> No
8	Qualified fuel cell property costs . . . . .	8
9	Multiply line 8 by 30% (0.30) . . . . .	9
10	Kilowatt capacity of property on line 8 above ▶ _____ x \$1,000	10
11	Enter the smaller of line 9 or line 10 . . . . .	11
12	Credit carryforward from 2015. Enter the amount, if any, from your 2015 Form 5695, line 16 . . . . .	12
13	Add lines 6, 11, and 12 . . . . .	13
14	Limitation based on tax liability. Enter the amount from the Residential Energy Efficient Property Credit Limit Worksheet (see instructions) . . . . .	14
15	Residential energy efficient property credit. Enter the smaller of line 13 or line 14. Also include this amount on Form 1040, line 53; or Form 1040NR, line 50 . . . . .	15
16	Credit carryforward to 2017. If line 15 is less than line 13, subtract line 15 from line 13 . . . . .	16
For Paperwork Reduction Act Notice, see your tax return instructions.		Cat. No. 13540P Form 5695 (2016)

**Step 3A:** Please be sure to enter your Name, SSN as shown on the return at the top of Form 5695 if not automatically filled in by your preparation software program.

**Step 3B:** With your total investment costs (from Step 1 above), enter your total investment on Line 1 if you have a qualified solar PV system OR enter your amount Line 2 if you have a qualified solar thermal heating and cooling system on Form 5695.

**Step 3C:** Follow the form to add lines 1 through 4 on line 5, then multiply line 5 by 30% and enter the value on Line 6 and on Line 13. Proceed to Line 14.

**Step 3D:** Enter your Tax Liability on Line 14 (from Step 2 above—Line 47 from your Form 1040). Follow from through Line 15.

**Step 3E:** Enter the smaller of Line 13 or Line 14 on Line 15. Congratulations...This is your 2016 Federal Tax Credit. If Line 13 is larger than Line 15, enter the difference on Line 16. This is carryforward to your 2017 income tax return. (**Note:** If you use a tax software system such as Turbo Tax™, TaxAct™, or H&R Block™, your system will retain this carry forward information to include in your 2017 tax information. You will need to file this form again for 2017, and the carryforward amount for this year’s (2016) difference will appear on line 12 of next year’s 2017 form. )

**Step 4:** Transfer the tax credit amount on Line 15 back to your Form 1040 Line 53. Your Residential Energy Credits will reduce your Tax Liability on a dollar for dollar basis, as it is summed on Line 55. Subtract Line 55 from Line 46 on Line 56.

The image shows a portion of Form 1040 (2016) Page 2, specifically the 'Tax and Credits' section. The form is divided into several rows, each with a line number and a description. Red arrows point to line 53 and line 55. Line 53 is 'Residential energy credits. Attach Form 5695'. Line 55 is 'Add lines 48 through 54. These are your total credits'. The 'Total boxes checked' section is also visible, with 'Total boxes checked' pointing to line 39a.

Line	Description	Amount
38	Amount from line 37 (adjusted gross income)	
39a	Check <input type="checkbox"/> You were born before January 2, 1952, <input type="checkbox"/> Blind. Total boxes checked <input type="checkbox"/> 39a	
39b	If your spouse itemizes on a separate return or you were a dual-status alien, check here <input type="checkbox"/> 39b	
40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	
41	Subtract line 40 from line 38	
42	Exemptions. If line 38 is \$155,650 or less, multiply \$4,050 by the number on line 6d. Otherwise, see instructions	
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	
44	Tax (see instructions). Check if any from: a <input type="checkbox"/> Form(s) 8814 b <input type="checkbox"/> Form 4972 c <input type="checkbox"/>	
45	Alternative minimum tax (see instructions). Attach Form 6251	
46	Excess advance premium tax credit repayment. Attach Form 8962	
47	Add lines 44, 45, and 46	
48	Foreign tax credit. Attach Form 1116 if required	
49	Credit for child and dependent care expenses. Attach Form 2441	
50	Education credits from Form 8863, line 19	
51	Retirement savings contributions credit. Attach Form 8880	
52	Child tax credit. Attach Schedule 8812, if required	
53	Residential energy credits. Attach Form 5695	
54	Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	
55	Add lines 48 through 54. These are your total credits	
56	Subtract line 55 from line 47. If line 55 is more than line 47, enter -0-	
57	Self-employment tax. Attach Schedule SE	
58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	
59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	
60a	Household employment taxes from Schedule H	
60b	First-time homebuyer credit repayment. Attach Form 5405 if required	
61	Health care: Individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	
62	Taxes from: a <input type="checkbox"/> Form 8969 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	
63	Add lines 56 through 62. This is your total tax	

Your 'Other Taxes' which are included on Lines 57 through 63 and any Tax Payments (Lines 64 and 74) are then calculated based on your tax situation, estimated or quarterly tax payments, employee withholdings, etc.

**Congratulations again....you have completed your Federal Tax Credit Claim. Please finalize and review your return and be sure to file your Federal Return as routinely done in previous years.**

**Important Note:** These same steps apply for taxpayers who file their returns electronically.

\* \* \* \*

*Please consult your tax advisor for specific questions on the renewable energy investment tax credits and incentives. You may also consult the Database of State Incentives for Renewables & Efficiency ([www.dsireusa.org](http://www.dsireusa.org)) which provides comprehensive information on state, federal, local and local utility incentives and policies.*

**For further information or any additional questions, please contact:**



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